

Appeals Service

Annual Report and Accounts 2005-2006

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INVESTOR IN PEOPLE

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Foreword

I am pleased to present the Appeals Service Agency Annual Report and Accounts for 2005-2006.

The primary purpose of this annual report is to look back at our performance over the last year and record our achievements when measured against the specific targets set out in our 2005-2006 Business Plan. We have achieved against those targets as well as successfully carrying out the activities needed for our transfer to the Department for Constitutional Affairs, which was brought forward from April 2007 to April 2006.

In the year, we exceeded our Secretary of State targets, demonstrating strong and effective management of our caseload:

- the average waiting time for an appeal to be heard from the time of receipt by the Appeals Service was 10.4 weeks (target of 11 weeks);

- the number of cases over 20 weeks old as at 31 March was reduced to 3,421 (target of 4,458); and

- for cases returned by the Commissioner, the average waiting time for the appeal to be re-heard was 7.2 weeks (target of no more than 8 weeks from the date of return to the Appeals Service).

This did not come at the expense of efficient resource management and we are also able to report that we kept the average cost of clearing an appeal at £260 (5% below the budget of £273) and also to reduce our headcount to 759 at the year end (below target of 765). We cleared 262,816 cases this year compared with 257,888 in the previous financial year.

We are aware that there is scope for significant improvement in the utilisation of our tribunal venues and we have developed detailed plans to help achieve

this. It will now be for the Tribunals Service to consider these as part of their overall estates strategy.

We successfully modernised our IT system so that it is stable and meets Government standards as well as providing consistent management information, the flexibility to move work around the country, as necessary, and the potential for upgrades, including increased automation.

During the year we paid particular attention to providing more comprehensive information about the appeals process to our customers in order to help them to understand what to expect. This was identified in last year's Ipsos MORI customer satisfaction survey as an area requiring improvement. The last survey showed that our new publication, 'How to Appeal' has been praised by both appellants and their representatives. It is essential for appeals information to be sent to our customers as early as possible in the process. More work remains to be done with the other Agencies in the Department for Work and Pensions (DWP) to establish the feasibility of it being sent out with the notification of their decision.

Despite improvement in many of the areas identified by Ipsos MORI as important in last year's customer survey, our overall index of customer satisfaction was slightly lower this year.

We continued to support the President, providing him with performance management information, including four year trends for key judicial performance indicators. We also addressed the large shortfall of medically qualified panel members but, despite making a number of improvements to the recruitment process resulting in more Members being appointed than in the previous year, we still had a significant shortfall at the end of year. Work began with the Department for Constitutional Affairs, ahead of our transfer, on a long term strategy to improve the situation.

Throughout the year we worked closely with the other Agencies of the DWP. Led by our non-Executive, Sir Leonard Peach, we reviewed with them ways of improving the quality of decision-making. We also worked with them on a number of pilots designed to improve decision making and agreed formal statements for the overall management of the appeals process. These activities, together with the liaison groups we have established, should ensure strong partnerships continue with the Agencies following our transfer to the Department for Constitutional Affairs. We have been strongly supported in this work by the Permanent Secretary of DWP and the Chief Executive Designate of the Tribunals Service.

Becoming part of the new Tribunals Service within the Department for Constitutional Affairs, will make it clear to our customers that the appeal process is independent. Being part of a larger service will provide opportunities for an enhanced and more efficient service as well as better career opportunities for our staff.

Bringing forward by twelve months our move to the Department for Constitutional Affairs has made extra demands on our staff during the year. In addition, the reduction in headcount has meant that people have had to take on extra work. We have had a challenging year and our success in achieving most of our objectives was down to our staff. My personal thanks to all staff for their unstinting support in everything we have achieved both in this year and in previous years.



Christina Townsend
Chief Executive
19 July 2006

Management Commentary

1 Introduction

Overview

- 1.1 This document reports on our performance against targets and objectives as published in the Appeals Service Agency Business Plan 2005-2006¹.
- 1.2 The information is set out under the following headings:
- **Introduction:** a description of our business and management arrangements;
 - **Performance against Targets:** reporting on our performance against Secretary of State Targets, Customer Service Standards and internal management targets during the year;
 - **Work Programme:** a commentary on how we delivered our agreed work programme; and
 - **Use of Resources:** our financial analysis, supported by detailed information in Section 5, Accounts.

Our Service

- 1.3 The Appeals Service combined two elements:
- An independent appeal tribunal function (constituted as a Tribunal Non-Departmental Public Body) that heard appeals against benefits and other decisions made by the Department for Work and Pensions (DWP) and other Government bodies. The tribunal function was wholly independent of the DWP and was headed by the President of appeal tribunals; and
 - An Executive Agency of the DWP that managed and provided support to the appeal tribunals, headed by a Chief Executive. This annual report covers the Agency element of the organisation but the Chief Executive had responsibility for, and control over, the financial resources for both the Executive Agency and the appeal tribunal.
- 1.4 We arranged independent hearings for appeals on decisions made by DWP Agencies (including Jobcentre Plus, the Pension Service, Disability & Carers Service, and Child Support Agency), as well as other Government Departments (Department of Health and Her Majesty's Revenue and Customs), and 409 Local Authorities. The total number of appeals received in 2005-2006, over 226,000, was in line with 2004-2005. Similarly, the number of requests for leave to appeal to the Commissioners' Office (the higher authority to which further appeals on a point of law may be lodged) has remained the same at around 8,000 cases.

¹ The Appeals Service Agency Business Plan 2005-2006, available to view at www.tribunals.gov.uk

1.5 Our appellants had a wide range of special needs – the need for representation to assist with the presentation of their case or a requirement for interpretation services. In addition, there was a significant need for access to tribunal venues that catered appropriately for appellants who have a disability. This was particularly important given the proportion of appeals associated with Disability Living Allowance and Incapacity Benefit claims (64% of our caseload). Many appellants travelled to their hearing by private car or taxi to ease their journey (78%). On arrival at our venues, we, therefore, wanted to ensure the immediate access and facilities continued to make their experience as comfortable as possible.

1.6 Appeals were heard at a network of around 130 locally based tribunal venues and processed at eight operational sites throughout Great Britain. The appeals process was delivered by the Chief Executive and around 760 administrative staff supporting the President, 70 salaried legally qualified panel members, one salaried medically qualified panel member, and around 1,800 fee-paid panel members.

Our Purpose

1.7 The Agency's purpose statement was:

'To bring together the parties to the appeal and the judiciary with all appropriate resources for the fair and independent delivery of decisions in a way that best meets both the expectations of all parties to the appeal and the demands of the public purse'.

1.8 Our strategic intents, objectives and targets were designed to meet our purpose and drive improvement in our service delivery.

2 Performance against Targets

Overview

- 2.1 This section reports on our performance against Secretary of State Targets, Customer Service Standards and internal management targets.
- 2.2 Over the year, our intake of appeals was 226,320 and we cleared 262,816 cases, this year compared to 257,888 in the last financial year (these figures include those appeals received before the end of the previous year which had not been cleared). 51,877 tribunal sessions were held in the year.

Secretary of State Targets

- 2.3 We had three Secretary of State Targets, all of which related to waiting times. These were:
- The average waiting time for an appeal to be heard will be no more than 11 weeks from the time of receipt by the Appeals Service¹.
Met – we exceeded the target, maintaining the average waiting time at 10.4 weeks.
 - The number of cases over 20 weeks old as at 31 March 2006 will have reduced to 4,458.
Met – we exceeded the target, reducing the number of cases over 20 weeks old to 3,421.
 - For cases returned by the Commissioner, the average waiting time for an appeal to be re-heard will be no more than 8 weeks from the date of return to the Appeals Service².
Met – we exceeded the target, reducing the waiting time to 7.2 weeks.

¹ Excludes stayed cases awaiting decision in lead cases in a higher court (the effective date will commence from withdrawal of stay being notified)

² Excludes cases requiring further evidence

Customer Service Standards

2.4 In June 2005, we introduced our new Customer Service Standards and published them in the 'Standards You Can Expect' leaflet. The new standards (those shown in bold) added to the Service First Standards already in place and took account of further information we had about what was important to our appellants.

Our Customer Service Standards were intended to help our appellants (and representatives) by providing them with full information about our services and how we performed against the set standard. Our focus in 2005-2006 was on improving the quality of service to appellants.

- **We will aim to notify you of a hearing date within six weeks of receipt of your enquiry form**
- **If you tell us you need an interpreter for your hearing, we will arrange for a professional organisation to provide one for you, and we will meet the costs**
- **When you contact us about your appeal, we will provide you with accurate information about the appeals process, and the stage your appeal has reached**
- Each tribunal venue will be easily recognisable, accessible, and provide facilities for people with disabilities

- We aim to acknowledge your arrival at the tribunal venue, and to have the clerk meet you not less than five minutes before the hearing time to explain the procedure
- **We will give fair and equal treatment irrespective of gender, race, disability, sexual orientation or religious belief**
- **We will refund reasonable costs for you attending your hearing**
- We aim to provide clear, straightforward information about our service, including where to go and what to do if help is needed
- We will aim to reply to general enquiries received by post, email and fax, as soon as we can, and usually within 10 working days
- We will answer the telephone between the hours of 8.30am and 5.00pm Monday to Friday
- We aim to respond to complaints within 15 working days. If we cannot, we will advise when we can, together with the name and contact details of the person dealing with your complaints

Full details of performance against the Customer Service Standards and how they were measured can be found at Appendix 2

Internal Management Targets

2.5 To supplement our Secretary of State Targets and Customer Service Standards, we had a set of key internal management targets. During 2005-2006, we introduced a new management target that focused the Agency on the wider needs of our appellants' overall customer satisfaction. This addressed aspects of our service such as information provision, quality of venues and flexibility of service. The four key areas were:

- Seek to increase overall customer satisfaction from 60% to 65%, as measured by an independently commissioned customer satisfaction survey during the year;

Ipsos MORI completed the second annual customer satisfaction survey in December 2005. This showed that we had not met our target, the Customer Satisfaction Index falling to 57%. However, we performed better or at least as well as in 2004 on many of the key drivers of satisfaction. More information about the index and why it fell is provided on page 13

- Ensure that the performance variation between regions is maintained at, or kept below, current levels, namely 3.7 weeks; As at 31 March 2006, the variation between the two offices at either end of the range was 3.5 weeks.
- Introduce, following discussions with DWP, appropriate management targets associated with utilisation of our venue estate and our unit costs; and

For the month of March 2006 total usage was averaged out at 49%. The establishment of formal utilisation targets was deferred pending a decision on the strategic direction for the optimisation of the use of our venues. This is considered in greater detail on pages 16 and 30. In the year, the average cost of processing an appeal was £260 against a target of £273.

- Maintain our administrative headcount at, or below, our projected year end figure of 765 (as at 31 March 2005).

At 31 March 2006 our headcount was 759.

3 Work Programme

Overview

3.1 Our work programme for 2005-2006 was set out in our Business Plan. In this annual report we report against the strategic objectives and activities set out in that Business Plan at the start of the year.

Significant improvement in our service to appellants

3.2 We continued, from 2004-2005, to progress many activities specifically aimed at improving the service we provided to appellants.

Our highlights included:

- A key outcome from our first Ipsos MORI customer satisfaction survey was a new leaflet, 'How to Appeal', published in May 2005, which provides comprehensive, step-by-step guidance to the appeals process. Working with MENCAP, we also developed an 'Easy-read' version specifically aimed at those who would prefer a less detailed leaflet
- We revised our Service First Standards in June 2005 publishing them in a new the 'Standards You Can Expect' leaflet. This includes a detailed guide on how to complain if we did not achieve our standards
- Using the Asylum and Immigration Tribunal's (AIT) Interpreter Services, we ran a pilot at our Central London venue (Fox Court) to improve the quality and reliability of interpreters
- We continued to develop proposals for establishing fewer good-quality venues, using research findings to determine the facilities that were important to appellants

Details of all our achievements associated with 'Significant improvement in our service to appellants' are provided in the following tables

We will implement priority areas for improvement arising from the action plan produced after our survey of customer satisfaction.

<p><i>Use the knowledge gained from our survey of customer satisfaction to assess our approach to customer service with other organisations in the public and private sectors. In particular, we will look for good practice from those organisations that also have to deal with 'negative' as well as 'positive' outcomes.</i></p>	<p>We drew on the experience of our customer service interim manager who had a background in blue chip customer service companies, including an insurance company. He provided insight into how private sector organisations strive for best practice customer service. Of special interest has been the tone and timing of communications when informing appellants of decisions that go against them. We recognised the need to provide clear and simple reasons for decisions while maintaining the impartiality of the hearing. We met with other tribunal organisations to find out how they provide customer service.</p>
<p><i>Develop local plans to implement changes by May 2005, ensuring clear roles and responsibilities are defined.</i></p>	<p>We agreed, by May 2005, a range of initiatives for our processing sites and major tribunal venues. The priority areas were:</p> <ul style="list-style-type: none"> • introducing monthly quality checks to ensure that the right tribunal papers were available at the appropriate time and were in the correct order; • delivering enhanced training for clerks to improve the administration of appeals and hearings; • delivering a better complaints system; • piloting a new interpreter provider to improve the quality of service; and • researching the reasons appellants contacted us by telephone and whether this service should be improved.
<p><i>Implement the priority areas for improvement arising from the national and local action plans by September 2005.</i></p>	<p>Local initiatives were implemented as discussed above. National areas progressed were:</p> <ul style="list-style-type: none"> • publication of the 'How to Appeal' leaflet, including an 'Easy-read' version; and • publication of the 'Standards You Can Expect' leaflet <p>The 'How to Appeal' and 'Standards You Can Expect' leaflets were published by September 2005 with the 'Easy-read' leaflet following in December.</p> <p>We recognised the importance of distributing this information to appellants as early as possible in the appeals process and trialled new approaches.</p>

We will undertake another assessment of customer satisfaction to monitor our performance against a new management target and identify improvement activity.

Complete another assessment of customer satisfaction by December 2005 to enable us to establish a trend of our index of customer satisfaction and monitor our performance against our new management target.

Ipsos MORI completed the second customer satisfaction survey in December 2005. We set ourselves a target to increase the Customer Satisfaction Index from 60% to 65%. In fact, the Index fell slightly from 2004 (to 57%) even though we performed better or at least as well as in 2004 on many of the key drivers of satisfaction.

Early provision of information led to increased satisfaction. In the event, it was not feasible for DWP Agencies to issue the leaflet with the notification of their decision and this may be one reason why we did not achieve the targeted rise in satisfaction. The decrease in the Index was also due to a big drop in satisfaction amongst those who lost their case (from 48% to 41%). Levels of satisfaction remained the same among those who won.

This finding pointed to the importance of the action plan from the latest survey having specific activities directed at those who lost their case. Judicial communication was found to be important, particularly explaining the judicial decision.

Use feedback from our customer satisfaction survey to identify opportunities for further improvements to the services we provide to appellants (e.g. in our information provision to appellants). Develop an action plan by March 2006.

Recommended priority areas for improvement, in place by March 2006, included:

- working with the judiciary to explore means of better explaining tribunal decisions;
- examining how other similar organisations inform individuals of progress, deciding whether and how the Appeals Service should provide an enhanced service;
- getting the information and related leaflets to appellants as early as possible in the appeals process and providing more information on representative organisations and what to expect when attending a tribunal;
- completing a review of standard letters to improve the style and make them easier to understand; and
- reviewing the pre-hearing Enquiry Form (TAS1) to provide clearer information about the appeal.

These will now be considered against the needs of the new Tribunals Service.

Increase the Agency's focus on improved customer service and effective communications.

Provide increased focus, drive and accountability for improved customer service by having in place a senior individual, working to the Chief Executive, who has sole responsibility for customer service and communication by June 2005.

We appointed a Director for communications and customer service in June 2005 and his Directorate was the principal recipient of customer and stakeholder information. We produced an integrated Customer Service Improvement Plan addressing all aspects of the customer experience.

Pilot the use of proactive telephony contact with appellants during the appeals process by September 2005. The aim will be to assist appellants with directions/answer queries about a venue or perhaps to advise them on the progress of their appeal. Evaluation of the pilot to be completed by December 2005.

We deferred consideration of proactive telephony until we had a single database with the introduction of our new IT system, GAPS2, in 2006-2007, and because of our earlier move to the Tribunals Service in April 2006.

We did, however, review telephone services in two regional operating sites and their associated tribunal venues. We found that appellants calling us during the course of their appeals were highly satisfied with our telephone service. The evidence suggested that providing direct dial numbers and named officers resulted in those individuals providing a good level of service.

The work was completed by March 2006. It was recommended that the service be enhanced further through:

- using 'quality hours' to refresh telephony training and reinforce service standards; and
- introducing team leaders' checks on the quality of enquiry handling.

Introduce new measurement and monitoring mechanisms for the review of Service First Standards for contact, accessibility and availability and complaints.

Introduce new measurement and monitoring mechanisms for the review of our Service First Standards by May 2005 to enable improved management of achievement against our customer satisfaction management target.

We revised our Service First Standards in June 2005 and published them in a new 'Standards You Can Expect' leaflet. The standards are set out in Section 2 of this report – Performance Against Targets, Customer Service Standards. Details of our performance against the standards and how they were measured can be found at Appendix 2.

These will now be considered against the needs of the new Tribunals Service.

Further develop our proposals to optimise the geographical distribution of our tribunal venues and to upgrade them to ensure they are better equipped, more secure and better utilised.

Continue to develop our proposals to establish fewer, better equipped venues. In doing so, we will establish good quality venues and also ensure that appellants can access our service. We will use existing mechanisms and develop new mechanisms to enable this to take place, for example, provision of additional telephony support to appellants in arranging transport to the venue, the use of good quality casual hire accommodation, the use of videoconferencing and the continued use of domiciliary hearings.

We worked with both Ipsos MORI and Northumbria University to determine the venue facilities that were important to appellants. Priorities were ample parking, particularly disabled parking, more hearing rooms on the ground floor and more private waiting/consultation rooms. We recommended these standards be met for permanent and casual hire accommodation.

Working with Atos we examined, on a venue by venue basis, the effect fewer venues would have on travelling times for appellants, seeking to keep journeys within an hour while minimising any increase in travelling times. In general, DWP customers are not expected to have to travel more than one hour by public transport to the nearest local office. We found that appellants using public transport (some 20%) were most likely to have significant increases in journey times. We proposed reducing their travelling times pointing out that we pay travelling expenses and allow journey by taxi where necessary. Overall costs would still be substantially reduced, enabling reinvestment in better quality venues, see page 30.

We held domiciliary hearings when needed and proposed continuing our pilot using videoconferencing and additional telephony support.

This will now be considered against the needs of the new Tribunals Service.

Work with other tribunal organisations and the DCA to identify joint opportunities to optimise tribunal venue utilisation by engaging in tribunal venue sharing arrangements (where appropriate) and the DCA Clearing House initiative.

We continued to seek opportunities to share venues with other tribunals. We found this could improve utilisation rates and quality, reduce accommodation costs, help use resources more efficiently and provide value for money.

We shared venues with the Employment Tribunals Service (ETS) in Watford and in Stoke with the Asylum and Immigration Tribunal as well as moving to shared accommodation with ETS in Reading. ETS shared our existing Carlisle venue and we prepared for a new Tribunals Service venue in Carlisle, which we would use with ETS from 1 April 2006.

We sought to use the Clearing House to minimise the daily hire of accommodation. However, as we booked tribunals three or more months in advance, some tribunals could not guarantee that dates would be available so far ahead.

Hearings by other tribunals such as ETS, Criminal Injuries Compensation Appeals Panel and Parking Tribunals accounted for 2.4% of our venue usage.

Update the published information provided to appellants, and ensure the information is more accessible. Introduce a coherent customer contact strategy.

<p><i>Issue a new comprehensive leaflet that explains the appeals process in a step-by-step approach, which helps appellants and representatives better navigate the process by July 2005.</i></p>	<p>We issued our 'How to Appeal' guide in May 2005. The leaflet was available in Welsh, Braille and eight other languages as well as in an 'Easy-read' version for those preferring a less detailed leaflet.</p> <p>To measure customers' reactions to getting information earlier in the process, we sent the leaflet with hearing notification letters issued from six of our operating centres during August and September 2005. The Ipsos MORI customer survey indicated increases in customers who were informed (up 3 percentage points) or well informed (up 6 percentage points).</p>
<p><i>Work with DWP Agencies to introduce new mechanisms that enable customers to access Appeals Service communications in a more timely manner by December 2005, for example, a letter to be included with the original decision notice (where feasible) that provides a contact number to enable appellants to obtain a comprehensive leaflet on the appeals process.</i></p>	<p>We explored providing the 'How to Appeal' leaflet as early as possible in the appeals process. In February 2006, we began a pilot with the Disability and Carers Service (DCS) in the Bristol area. DCS included a helpline number in notification of award letters, which customers could ring for a leaflet. The pilot ran beyond the end of the reporting year.</p> <p>We also changed our pre-hearing Enquiry Form (TAS1) to include information about obtaining the leaflet. This will be released when the form is next reprinted.</p>
<p><i>Commence work to review all the correspondence that we issue to appellants throughout the appeals process. We will seek to ensure that the content of all our correspondence is written in such a way that it is easy to read and understand.</i></p>	<p>We reduced the number of system produced letters from 1,200 to 300 and began a review to ensure the remaining letters were clear and easy to read. We produced style guidelines to ensure that tone and language were consistent with our new leaflets and website information.</p>
<p><i>Pilot a new customer contact strategy that keeps the appellant and representative better informed on the progress of their appeal by September 2005.</i></p>	<p>We deferred work on keeping appellants and representatives informed of the progress of appeals until 2006-2007 when there will be a single database. It will be for the Tribunals Service to consider its customer contact strategy.</p>

Improve the information on our website for appellants and representatives.

Throughout the year, we will redesign and improve the content of our website, introducing more interactivity, so that the website is more user-friendly for representatives and appellants.

We implemented a redesigned website in February 2006. This took account of appellant needs identified by the Ipsos MORI survey and was presented in an easy to navigate style. The newly designed website had the highest (AAA) rating for accessibility. We planned that greater interactivity would be introduced in a later phase but this would now be for the Tribunals Service to consider.

Improve interpreter services for appellants.

Undertake a pilot of the use of the interpreter services of the Immigration Appellate Authority.

We ran a pilot at the Fox Court London venue from April to September 2005. Evaluation concluded that the interpreter service provided via the Asylum and Immigration Tribunal (AIT) was of a better quality and was more reliable than our existing arrangement. The judiciary were happier with the service and had no complaints. There were no adjournments during the pilot for lack of interpreter attendance, punctuality or appropriate language skills.

The evaluation recommended that we continued to use AIT at the pilot site and explored the feasibility of wider use.

Develop national and local partnerships with representative organisations to identify areas for improvement and, ultimately, improve the overall service for appellants.

Establish whether there is a need for a new forum within the Agency for engaging representative organisations, at a national level, by July 2005.

In July 2005, we deferred consultation on a new forum in order to benefit from planned research by Edinburgh University into the role and impact of representation. We also wanted to take account of the 2005 Ipsos MORI survey which sought representatives' views on our service.

It will be for the Tribunals Service to determine the need for a national forum for engaging representative organisations

Extend the use we make of local Tribunal User Groups and the National Customer Representative Liaison Forum to seek their active involvement in identifying opportunities to improve the services we provide.

Meetings typically involved attendance by administrative staff and judiciary, representative organisations and DWP Agencies. We introduced a more standard meeting format and agenda and put in place a system to take forward any emerging customer service improvements or initiatives.

We worked with members of the National Customer Representative Liaison Forum to develop our leaflets



Better service to the President and judiciary

3.3 A number of significant activities have been progressed in this area during the year.

Our highlights included:

- We were led by our non-Executive, Sir Leonard Peach, in working with DWP Agencies to improve their decision-making with the aim of reducing the number of appeals.
- We supplied the President with performance management information including four year trends for key judicial performance indicators.
- We addressed the shortfall of 120 medically qualified panel members by improving the recruitment process resulting in 33 appointments (22 in 2004-2005). To address the continuing shortfall, medically qualified panel members covered regions where there was a short fall as well as their own. For the longer term, we began work with DCA on a strategy which included reviewing the feasibility of reducing the requirement for such members in the future.
- In response to feedback from the judiciary, we improved our controls and checks so that they received the right tribunal papers in the right order at the right time.

The details of our achievement associated with 'Better services to the President and judiciary' are provided in the following tables.

Establish the Agency as a credible delivery partner for the judiciary via the continued delivery of a professional management and administration service to the President and judicial colleagues.

Respond proactively to the issues raised by panel members who were interviewed as part of the Customer Satisfaction Survey undertaken in 2004-2005. We will implement our action plan to address the issues raised, including, the production of the ideal paper bundle, consideration of the complexity of a case when listing and training for clerks to seek to improve their awareness and understanding of the role of tribunal panel members.

We developed and piloted the introduction of monthly quality checks to ensure that the right tribunal papers were in the right order and available at the appropriate time (the ideal bundle).

Complex cases involved unusual or special issues that might require a longer hearing. We put controls in place to ensure such cases were identified at the registration stage and referred to a District Chairmen for advice on timing.

We agreed with judicial colleagues the content of training modules for clerks, but it will be for the Tribunals Service to consider implementation as apart of its training strategy.

Deliver agreed joint objectives arising from the Judicial Management Plan for 2005-2006, in particular:

- Explore the extended role of clerks to determine the extent to which clerks could perform additional duties (within the parameters of the current regulations), for example, some pre-hearing interlocutory work. This will require an initial feasibility study to explore the possibilities;*

Exploration with the judiciary suggested that some 20,000 decisions presently taken by District Chairmen could be made by clerks within the existing legislation, for example, whether a case is ready for relisting following receipt of further evidence by the tribunal.

The need for feasibility work will be considered by the Tribunals Service as part of its wider training strategy.

Continued opposite

Establish the Agency as a credible delivery partner for the judiciary via the continued delivery of a professional management and administration service to the President and judicial colleagues.

Continued

- *The recruitment of panel members (particularly medically qualified panel members). A review of the current arrangements is necessary with immediate action to improve proactive recruitment of medically qualified panel members and further work with DCA over the longer term; and*

There was a shortfall of 120 medically qualified panel members. We reviewed the existing recruitment arrangements with the Department for Work and Pensions (DWP) and the Department for Constitutional Affairs (DCA) to seek improvements. As a result, we changed the application pack, advertised more widely and Regional Chairmen made local contact with relevant organisations. However, only 33 appointments were made (22 in 2004-2005) and the shortfall had not been resolved at year end.

In the short term, we asked medically qualified panel members in other regions to cover those where there was a shortfall. For the longer term, we began work with DCA on a strategy which included the feasibility of reducing the requirement for such members in the future.

- *Work with DWP Agencies to improve the quality of their decision-making.*

Sir Leonard Peach, non-Executive Director of the Appeals Service, reviewed, with DWP, the Judiciary and DCA, ways to improve the quality of decision-making, undertaking the work for the then DWP Permanent Secretary and providing feedback in June 2005. A Working Group was established which promoted joint working within and between Departments.

Recommendations included:

- strengthening the reconsideration process;
- ensuring appropriate evidence was received as early as possible in the process and that Decision-Makers had time to consider evidence received after the appeal had been made;
- previewing cases before hearing to ensure they were ready to proceed and all necessary evidence was available; and
- improving communications, training and feedback at all levels of the decision-making and appeals process.

Sir Leonard provided further information to the DWP Permanent Secretary at the end of March 2006.

Continued over page

Establish the Agency as a credible delivery partner for the judiciary via the continued delivery of a professional management and administration service to the President and judicial colleagues.

Continued

Seek to reduce the volume of adjournments and postponements by (i) ensuring interpreter services are identified and sourced and (ii) that the appropriate paper work and evidence prepared by DWP Agencies and requested by the Appeals Service administration is available to the tribunal in time.

New controls and checks ensured that:

- the right papers were available in the right order and at the appropriate time; and
- we had appropriately identified and responded to interpreter requirements ahead of the hearing.

Compared to 2004-2005, adjournments for administrative reasons reduced from 7.3% to 4.8%.

Provide management information so that the President can consider both the consistency of tribunal decision-making and the efficiency with which the judiciary are deployed. Work with the President to support his activities associated with improving the efficiency of judicial operations.

We supplied the President with performance management information including four year trends for key judicial performance indicators. Latterly, we provided information in a monthly report.

The President discussed the data with Regional Chairmen at President's Steering Group meetings. A number of joint administrative and judicial initiatives were pursued to reduce adjournments, including:

- better control and management of appeals determined on the paper evidence;
- development of joint local action plans;
- judicial guidance to legally qualified panel members;
- implementation of new controls and checks; and
- referral of complex cases for judicial direction on timings and requirement for further evidence.

Continued opposite

Establish the Agency as a credible delivery partner for the judiciary via the continued delivery of a professional management and administration service to the President and judicial colleagues.

Continued

Roll out the option to use voice recognition software (with the associated training) to salaried judicial members to enable judicial colleagues (where appropriate) to prepare their own statements of reasons and thus reduce the time taken to provide statements of reasons for the tribunal decision.

A pilot in 2004-2005 resulted in an average reduction of five days in the time taken to issue a statement. Following this, we extended use of voice recognition software to all full-time chairmen who were interested, training 16 chairmen during 2005-2006. Users reported that voice recognition software enabled them to write longer decisions in the first instance which reduced the number of statement requests they received.

Support the training and development needs of salaried and fee paid panel members including any development needs that arise from the appraisal system.

Over 3,000 panel members received training at a cost of £943,440 (a similar number were trained during 2004-2005 at a cost of £937,157). Details of the training provided can be found at Appendix 3b. Over the year, the Judicial Training Advisory Group, with support from administrators, met regularly to review judicial learning and development needs that arose, including those identified from the appraisal system.

Extend the facilities available to the Tribunal to enable parties to the proceedings to participate in oral hearings (for example, attendance of Presenting Officers from DWP Agencies).

Evaluate the pilot of videoconferencing in Cardiff and Southampton by June 2005 and, if successful, roll out to other main venues (those co-located with an operating site) for the use of remote Presenting Officer attendance.

We ran a pilot in Cardiff and Southampton from January to June 2005 involving the attendance of Child Support Agency Presenting Officers by videoconferencing and extended this to Liverpool in April 2005. The pilot was a technical success with no disruption to hearings but was expensive in terms of money and staff resource. We concluded that we should use a mix of videoconference and face-to-face hearings with Presenting Officers with the aim of increasing attendance from 70% to 90%. We also agreed a programme to implement at 11 Appeals Service sites.

Investigate the possibility of extending the use of videoconferencing to welfare rights organisations and appellants to enable them to participate in oral hearings and reduce the number of adjournments by March 2006.

We produced, with Local Authorities, voluntary organisations and other Government Departments, a map of suitable videoconferencing facilities. We did not extend videoconferencing to Welfare Rights Organisations and those they represent.



Delivery of an efficient service that provides value for money

3.4 We built on the considerable work we did in 2004-2005.

Our highlights included:

- We sharpened our performance reports so that management's attention was focused on optimal use of resources. In particular we:
 - stayed within our headcount target;
 - increased productivity by reducing sickness absence and the proportion of temporary and agency staff; and
 - tightly monitored on an individual basis our eight processing sites.

- We reallocated the existing operations budget to implement a recovery plan for our Nottingham site, resulting in 4,500 more cases being listed for hearing.
- We continued with our plans to improve the low utilisation rates of our tribunal venues (just under 50%) whilst maintaining a good level of service to appellants and their representatives.
- Overall, we managed our resources to achieve an average cost of processing an appeal in the year of £260 (£259 in 2004-2005) against a target of £273.

The details of our achievements associated with 'Delivery of an efficient service that provides value for money' are provided in the following tables:

Continue to focus on efficiency by maintaining our administrative headcount at, or below, our projected year end figure.

Improve our processes to ensure we maintain our administrative headcount at, or below, our projected year end figure of 765 (as at 31 March 2005).

The year end headcount was 759.

Develop an effective unit cost tracking system to enable the Agency to monitor and review its costs and respond positively to its efficiency challenges.

Develop an effective unit cost tracking system by May 2005.

Unlike the previous year, where unit costs were calculated on an annual basis, we reported unit costs monthly throughout the year and the information was used by the Management Team to support analysis of the Agency's financial performance. The average cost of processing an appeal in the year was £260 (£259 in 2004-2005), against a target of £273.

Increase the focus and accountability of the resources for which the Chief Executive is accountable and identify opportunities in all areas (including adjudication resource).

Provide increased focus, drive and accountability for performance management by having in place a senior individual, working to the Chief Executive, who has responsibility for performance management by June 2005.

We appointed a performance manager in October 2005, following a previously unsuccessful recruitment exercise. Reporting to the Finance Director, the individual was involved in a range of initiatives including planning for the transfer to the Tribunals Service, improving performance reporting, mapping business processes and investigating specific opportunities to improve efficiency. Recommendations were made which included:

- improvements to management information and reporting;
- automation of appellant information capture in the GAPS2 IT system with potential for significant cost savings;
- a review of DWP Agency processes to improve our interfaces with them; and
- greater use of technologies such as electronic file tracking and the Internet to make appeals processing more efficient, including potential optimisation of the use of adjudication resources.

These will now be considered against the needs of the new Tribunals Service.

Keep under review the performance and efficiency of each of our eight operating sites and take appropriate action in individual cases where necessary.

Continuously review the performance, efficiency and leasing arrangements of each of our eight operating sites and take decisions and appropriate action regarding the future management of our processing workload as required.

A risk assessment at our Sutton operating site in May 2005 showed that performance was returning to satisfactory levels and no organisational change was required.

The performance of our largest operating site, Nottingham, deteriorated significantly following higher than predicted intake and staff vacancies. Eight staff were seconded and 1,200 additional sessions were held to enable around 4,500 more cases to be listed for hearing. This additional activity meant that two out of three performance targets were met with the third being narrowly missed (waiting time of 11.5 weeks against a target of 11 weeks).

The lease on our Cardiff office is due to expire early in 2006-2007 and, as a consequence, it was initially planned to move out to alternative local accommodation by 31 March 2006. Delays in identifying and securing appropriate accommodation meant that there was insufficient lead time to action this whilst maintaining operational continuity. As a result, extended occupancy of the old premises was agreed to cover the period up to the revised timetable of July 2006.

Further develop our proposals to optimise the geographical distribution of our tribunal venues. In doing so, we seek to balance improved service to appellants and their representatives with cost utilisation constraints.

<p><i>Continue to develop our proposals to establish fewer, better equipped venues. In doing so, we will establish good quality venues and also ensure that appellants can access our service. We will develop mechanisms to enable this to take place, for example, provision of additional telephony support to appellants in arranging transport to the venue, the use of good quality casual hire accommodation, the use of videoconferencing or the use of home visits.</i></p>	<p>Progress on the optimisation of our venue estate and associated initiatives is reported at page 16. Implementation of the full proposal would, as well as maintaining a good level of service to appellants, realise savings in the region of £1.6 million, and a reduction in estate running costs of 13%. The rate at which these savings would be delivered would in part be dependent on the amount of up front investment funding available.</p>
<p><i>Undertake the necessary implementation planning of the proposed refurbishment and optimisation plans, in consultation with DWP and DCA colleagues as appropriate.</i></p>	<p>Further work on an estates strategy will be taken forward by the Tribunals Service.</p>
<p><i>Routinely monitor utilisation across all venues as part of the key performance indicators activity (see next page).</i></p>	<p>We monitored venue utilisation rates monthly for permanent venues. The average utilisation rate was 49.7% with figures ranging from 90.6% at Birmingham, one of our largest city centre venues, to 8.4% at Dorchester, a smaller rural venue.</p>

Continuously monitor and review the set of key performance indicators (Agency Dashboard) that will enable the organisation to track progress against its strategic objectives.

Utilise and continue to develop the set of key performance indicators for the Agency that was introduced during 2004-2005. Monitor continuously and review the Agency's key performance indicators to ensure the organisation is on track to meet its strategic objectives.

We produced monthly reports and clearly tracked progress against key targets. We reviewed both content and format during the year so as to focus management attention and ensure optimal use of resources. Particular attention was paid to reducing the proportion of Agency and temporary staff, reducing sick absence, monitoring performance of our operating sites, particularly Nottingham, meeting customer needs and staying within budget.

Continuous development of our people, processes and technology to support our modernisation aims

3.5 We made progress throughout the year in developing our people, processes and technology to support our modernisation aims.

Our highlights included:

- We developed and implemented plans that responded to the key concerns of our staff, namely job security, communications and leadership, resulting in significantly improved findings from this year's Staff Survey and better results than for DWP overall. Our scores were communications 48% (41% in 2005), line management 53% (54% in 2005) and employee engagement 54% (48% in 2005).

- We completed an exercise to revise our controls and checks so that they were proportionate and effectively managed risk.
- We successfully modernised our IT system so that it is stable and meets Government standards as well as providing consistent management information, the flexibility to move work around the country, as necessary, and the potential for upgrades, including increased automation. We also developed proposals as to how the new system can be fully exploited.

The details of our achievement associated with 'Continuous development of our people, processes and technology to support our modernisation aims' are provided in the following tables:

People – Involve staff in determining a set of agreed priorities and improvement activities to make the Appeals Service a better place to work.

Undertake a series of staff focus groups by July 2005 to involve staff in determining an agreed set of priorities and improvement activities that would, in their view, make the Appeals Service a better place to work.

Each Directorate undertook a series of staff focus groups during the first half of the year. Local actions were identified and are still being implemented, where appropriate.

Publicise the results by September 2005 and continue to engage staff throughout the year in ongoing improvement activities.

The three main areas identified by the focus groups were job security, improved communications and leadership. The Chief Executive wrote to all staff in September about the actions to be taken, which are set out in this people section.

People – Continue to improve the effectiveness of our communication, reacting where possible to staff feedback.

<p><i>Build on the existing Team Brief arrangements, seek feedback and identify opportunities for further improvements.</i></p>	<p>We continued to improve our communication with staff by building a feedback mechanism into our Team Brief arrangements and through use of the Intranet. Staff concerns centred on the transfer to the Department for Constitutional Affairs (DCA). Middle managers gave their views on how best to communicate with staff to address concerns and build understanding as to what needed to be achieved. We produced a specific transfer communication strategy, which included management briefings, conferences and a question and answer site on the Intranet.</p>
<p><i>Ensure there is increased Senior Management visibility across the Agency associated with key communications.</i></p>	<p>We held a number of conferences and senior manager meetings to deliver key messages. This ensured that consistent messages were given to all staff, particularly about the transfer. The Staff Survey for 2005 showed a 21% increase in satisfaction in communications about changes affecting the Agency.</p>
<p><i>Implement the priority activities identified in the Internal Communication Plan developed during 2004-2005 which set out our proposals for engagement and communication with staff.</i></p>	<p>We redesigned our internal website, updating information daily and making it more interactive by including a Question and Answer section. We also increased the appeal of the site by introducing 'fun' elements such as competitions. This positively influenced staff's views of the Intranet as a place to help them understand what was happening. The 2005 Staff Survey showed a 10% increase in satisfaction compared to 2004. Additionally, we expanded Tribune, our magazine. In a survey in March 2006, 95% of respondents felt Tribune had helped their understanding of what was happening in the Appeals Service.</p>
<p><i>Take positive steps to address the key issues identified in the 2004 Staff Survey.</i></p>	<ul style="list-style-type: none"> • We improved job security for all staff at the beginning of the year by confirming that they would all transfer to the Department for Constitutional Affairs (DCA) on 1 April 2006. • We stabilised the workforce, replacing temporary and contract staff. The percentage of permanent employees increased from 85% to 93%. • We delivered leadership training and development including individual coaching for Senior Executive Officer level managers and above. • We implemented a programme to improve the effectiveness of communications as described above.

People – Focus action on diversity to meet our aspirational targets relating to women, ethnicity, and disability by March 2006.

Create greater awareness through the re-establishment of the Appeals Service Diversity Network Group by June 2005.

The Diversity Network Group was re-established and meetings held each quarter. The group created greater awareness by:

- promoting the diversity and equality policy;
- helping to embed the principles of diversity and equality into our day-to-day practices with colleagues;
- contributing to the development of the DWP diversity and equality policies and representing views to management as appropriate;
- discussing both current and future legislative issues; and
- providing a forum for mutual support for staff to share ideas, experiences and best practice.

Continue to build awareness of diversity issues and provide the necessary tools to staff. Embed (through our Learning and Development activity) the DWP's Diversity Toolkit into our Agency by September 2005.

We ensured, by September 2005, that all training and development was compliant with Diversity and Equality legislation and worked with DWP to ensure full compliance across the Appeals Service. We also raised the profile of the Diversity and Equality Toolkit on the DWP Intranet. Initial meetings were held with the DCA Diversity Team to ensure an effective transfer from DWP to DCA on diversity issues.

People – Provide our managers with the skills and confidence to feel better equipped to manage uncertainty and change.

Work with, and develop, our managers to ensure they have the leadership skills necessary to enable them to feel more confident managing uncertainty, change and, more specifically, the transfer of our Agency to DCA.

In addition to coaching sessions for Senior Executive Officers, we provided an online assessment for managers at Higher Executive Officer level and above. This aimed to assess individual managers in leading change and provide feedback to improve performance. We developed a module in the team leader training package following a review of the role of the team leader. The 2005 Staff Survey results demonstrated the positive impact of this training. For example, 24% more respondents than in 2004 reported that feedback and use of personal development plans helped in identifying training and development needs. There was an increase of 11% in the number of people who believed they were given a real opportunity to improve their skills and a 14% increase in the numbers saying that the sharing of good practice was encouraged in their part of the workplace.

People – Seek opportunities to provide improved development and progression opportunities for staff in the Agency.

Work with the President, senior judicial colleagues and DWP colleagues (Adjudication and Constitutional Issues Branch) to explore the potential to extend Clerks' powers (within the parameters of the current regulations). This would include an initial feasibility assessment and (if progressed), definition of roles and responsibilities, the development of a new organisational design and the design of supporting training and accreditation programmes. The initial feasibility phase to be completed by September 2005.

We agreed with the President that, as a first step, ad hoc interlocutory (non-hearing) decisions would be made by clerks rather than District Chairmen once the necessary training had been delivered to clerks during 2006-2007. Work to further develop the role of the clerk was not taken forward and would be for the Tribunals Service to consider.

Processes – Identify a range of non-IT dependent process changes to deliver efficiency and performance improvements and inject clarity to the process to simplify and enhance an appellant’s ability to understand the appeals process.

<p><i>Pilot the use of proactive telephony contact with appellants during the appeals process by September 2005. The aim will be to assist appellants with directions/answer queries about a venue and perhaps to advise them on the progress of their appeal. Evaluation of the pilot to be completed by December 2005.</i></p>	<p>As set out on page 14 we deferred consideration of proactive telephony until we had a single database with the introduction of our new IT system, GAPS2, in 2006-2007 and because of our earlier move to the Tribunals Service in April 2006.</p>
<p><i>Take forward the recommendations emerging from last year’s review of our control and checking regimes.</i></p>	<p>We implemented the recommendations by:</p> <ul style="list-style-type: none"> • assessing the extent to which controls and checks were proportionate and effectively managed risk and making changes accordingly; and • improving management information on control and compliance. <p>This reduced the resource needed for this activity.</p> <p>An independent internal audit review gave substantial assurance that the updated framework of control met the business objectives of the Agency.</p>

Technology – Re-platforming our current IT system (GAPS – Generic Appeals Processing System). Implement and test the new re-platformed solution for our outdated IT system (GAPS).

- *Ensure that the design, development, implementation and testing of the IT re-platforming solution is delivered on time, to quality and within budget. Key milestone is 31 January 2006 for system go-live with a period of support until April 2006.*
- *Develop proposals to ensure that the future benefits of the new solution can be fully exploited after roll out. Identify all benefits and create an action plan (by January 2006) for exploitation of these benefits, which includes:*
 - *The browser based access to the new system will support access from any location thus enabling tribunal clerks to check information on appeals and to enter outcomes from our main tribunal venues;*
 - *The single database will make it easier for us to move work around the country and our management information will be consistent. It will be easier for us to manage regional variations in performance; and*

We completed the design, development and testing of our new application, within budget, one week behind schedule as a result of additional work undertaken on the letter writing formulation which was initially under-specified. However, as a result of poor performance on the DCA's IT infrastructure, the decision to go live was delayed until these performance issues were resolved. Implementation of contingency plans meant that the operational impact of this delay was not significant. Implementation will be taken forward by the Tribunals Service once we are satisfied that their new infrastructure will support our application.

As planned, the new application (GAPS2) is browser based and operates on a single database, allowing the following:

- if implemented in hearing centres, it would enable clerks to track the progress of appeals, enter hearing outcomes and re-book adjourned hearings without the need to refer back to the processing centre; and
- consistent management information and the ability to move work around the country much more easily, enabling us to respond quickly to fluctuating workloads.

Also as planned, the personal computers, printers and screens were delivered to the main processing sites and their co-located venues by 31 March 2006 with the exception of our Cardiff site, which is due to be relocated. The services included email, Internet and Intranet entirely consistent with Government standards and they enabled our staff to communicate securely and easily with colleagues in DWP, DCA and other Government Departments. However, we decided not to update our smaller venues until there is an agreed estate strategy.

Proposals outlining how the system could be further exploited were produced in December 2005.

These related to:

- increasing automation to reduce staff time in processing appeals by around 4 people per year;

Continued over page

Technology – Re-platforming our current IT system (GAPS – Generic Appeals Processing System). Implement and test the new re-platformed solution for our outdated IT system (GAPS).

Continued

– The system will be based on modern IT infrastructure which is consistent with current Government standards, designed to enable easy exchange of information between Departments. We will have access to Intranet, Internet and better quality email in our main venues.

- allowing staff to make routine reference data amendments and to correct minor incidents, lowering the cost of IT Service Provider intervention by £80,000 per annum with no degradation in service;
- improving the post hearing processes in the application, enabling decisions to be given to appellants more quickly; and
- introducing a facility to automatically allocate panel members to the relevant jurisdiction. This would reduce the staff resource needed to allocate panel members to hearings.

All these proposals will now be considered against the needs of the new Tribunals Service.

Technology – New infrastructure. Ensure that the Agency’s IT infrastructure has been modernised in advance of the installation of the new re-platformed IT system.

Roll out a modern IT infrastructure to operating sites and a selected number of tribunal venues

Modern infrastructure was rolled out to our main operating sites and co-located venues in advance of the roll out of our new application. However, we decided not to update the infrastructure in our smaller venues until we had a clear and agreed picture of the estate strategy in respect of these locations.

Technology – Business as usual. Ensure the current outdated IT infrastructure and software is maintained effectively and efficiently to minimise downtime and business disruption.

<p><i>Maintain the current IT system (GAPS) to minimise downtime and business disruption.</i></p>	<p>We continued housekeeping activities to maximise GAPS' performance and manage incidents. The IT change moratorium was maintained. There was no significant operational disruption, with less than 1% unplanned downtime for users.</p>
<p><i>Review the risk mitigation procedures as and when required, for example, if a transfer of cases is required.</i></p>	<p>Business continuity rehearsals were held during October 2005 and a report presented to the Senior Management Team and Agency's Audit Committee. No major move of work took place but, anticipating the relocation of our Cardiff office, we undertook a comprehensive assessment to identify risks and minimise the business impact of moving GAPS computers and servers.</p>

Technology – Business as usual. Enhance our system so that it enables the processing of fees and expenses claims by panel members to enable online interaction.

<p><i>Upgrade our computer system so that it processes fees and expenses claims from our panel members (Bristol Claims Database) to enable online interaction with the Her Majesty's Revenue and Customs (HMRC).</i></p>	<p>We upgraded the computer systems in May 2005 to enable online interaction with Her Majesty's Revenue and Customs.</p>
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Contribution to the wider activity of the DWP in support of key DWP objectives

3.6 We strengthened still further our working relationships with DWP. The relationships will be increasingly important after our move to DCA.

Our highlights included:

- We established National Service Statements and liaison groups with four main DWP Agencies. The statements have been designed to help manage the end-to-end appeals process following transfer to the Tribunals Service, as has the high level Partnership Agreement we helped establish between DWP and DCA.

- In addition to the work led by our non-Executive Director, Sir Leonard Peach, we took part in a number of DWP Agency pilots designed to improve decision-making and reduce the number of appeals.

The details of our achievement associated with 'Contribution to the wider activity of the DWP in support of key DWP objectives' are provided in the following tables:

Work within the corporate framework agreed within the DWP to contribute to the wider Departmental goals associated with:

<p>Governance</p> <p><i>Continue to monitor and develop our compliance with the corporate framework agreed with DWP and provide support to the Governance, Risk and Assurance strand of the DWP Finance Transformation Programme as required.</i></p>	<p>We complied with all requirements of the DWP Corporate Governance framework in the year.</p> <p>We also supported the Governance, Risk and Assurance strand of the DWP Finance Transformation Programme, although positioning the Appeals Service for transfer to the Tribunals Service has been the greater priority.</p>
<p>Our Legal Obligations</p> <p><i>Ensure that we meet all our legal obligations (specifically compliance with the Welsh Language Act, Race Relations Act, Disability Discrimination Act, Data Protection and Freedom of Information Act).</i></p>	<p>We completed 98% of Freedom of Information requests within the 20 day legislative timescale and 91% of requests for personal information under the Data Protection Act within the required 40 days. We met our obligations under the Welsh Language Act and Race Relations Act and made reasonable adjustments as required under the Disability Discrimination Act.</p>
<p>Sickness Absence</p> <p><i>Effectively manage attendance policies, seeking to minimise sick absence rates for our staff. Our current target is eight days. We will:</i></p> <ul style="list-style-type: none"> • <i>Communicate attendance policies to staff in a more informed way;</i> • <i>Reinforce a culture of attendance via Team Leader and Managerial activity;</i> 	<p>We rigorously applied DWP policies and procedures on attendance management. On average, staff had 11.9 days sickness across the year, an improvement on the previous year's figure of 12.7. Although we did not achieve the average eight day target, sickness absence rates did reduce to 7.8 days in March.</p> <p>We introduced attendance management policies across our organisation and communicated them to staff by a variety of methods including:</p> <ul style="list-style-type: none"> • a letter from the Chief Executive; • a booklet to all staff; • meetings with managers; • a Welcome Back discussion video; and • information on the Intranet. <p>We implemented several DWP initiatives to improve the working environment, including well being at work and making reasonable adjustments, as required by the Disability Discrimination Act, to enable staff with disabilities to carry out their duties. These contributed to our improved attendance as the year progressed.</p>

Continued opposite

Work within the corporate framework agreed within the DWP to contribute to the wider Departmental goals associated with:

<p>Continued</p> <p>Sickness absence (cont)</p> <ul style="list-style-type: none"> • <i>Seek to use management information more effectively to manage attendance;</i> • <i>Provide the necessary information and support to managers to enable them to fulfil their role; and</i> • <i>Support DWP initiatives in this area.</i> 	<p>We produced monthly management information about attendance for all line managers which included a breakdown of short and long term absence by Directorate and office.</p> <p>Managers were able to track lengths of absence and get advice and support from HR Business Partners in any actions that they needed to take.</p> <p>All DWP initiatives regarding sickness absence were fully supported.</p>
<p>Corporate Human Resource policies</p> <ul style="list-style-type: none"> • <i>Continue to work with, and through DWP (having regard to DCA's intentions), on the Human Resource Modernisation Programme. This will include managing changes to the Performance Development System.</i> • <i>Continue to work with the DWP to implement our Finance and Human Resource IT systems and the new Resource Management System.</i> 	<p>We contributed to the DWP Human Resource Modernisation Programme and to the following Human Resource policy changes:</p> <ul style="list-style-type: none"> • Performance Development System; • workforce management; and • managing attendance. <p>We did not implement the DWP system but moved successfully direct to the DCA's equivalent Resource Management System.</p>
<p>Sustainable Development</p> <ul style="list-style-type: none"> • <i>Ensure we continue to engage in the necessary DWP activity to promote sustainable development, for example, efficient and responsible use of our paper and energy resources.</i> 	<p>We sought to raise awareness of sustainable development issues by including them in induction training, putting relevant articles on our Intranet and through posters in our main sites. All new IT equipment for our main centres had the facility for double sided printing and we provided appropriate training in its use. All of our offices routinely used re-cycled copy paper.</p>

Develop and improve our relationships with DWP Agencies including: The development and implementation of National Service Statements; Exploring opportunities for initiatives and pilots; and Establishing closer working relationships at a local level.

Build on the work undertaken with the Child Support Agency and roll out the development, implementation and monitoring of National Service Statements to the other DWP Agencies during the year.

National Service Statements were agreed and joint liaison groups established with the four main DWP Agencies together with Her Majesty's Revenue and Customs, the Commissioners' Office and Local Authorities. The statements have been designed to help manage the end-to-end appeals process following transfer to the Tribunals Service, as has the high level Partnership Agreement established between DWP and DCA.

Establish a Steering Group comprised of representatives from the Appeals Service, Disability & Carers Service (DCS) and, potentially, Jobcentre Plus (for Incapacity Benefit interests). The Steering Group will be chaired by Sir Leonard Peach, the non-Executive Director of the Appeals Service. The remit of the Group will be to investigate opportunities for joint working to explore the possibility of:

- 1 Developing and piloting joint approaches in the area of Early Dispute Resolution (EDR) and*
- 2 Developing and overseeing an agreed programme of work between the Appeals Service and DCS that will result in improved decision-making, fewer appeals and fewer adjournments of appeals relating to disability cases.*

The Steering Group was established at the start of the year and has met on four occasions. In addition to the regular membership, meetings have also been attended by representatives from the judiciary and the Department for Constitutional Affairs (DCA). Sir Leonard's key recommendations are set out on page 23. Sir Leonard's work focused on DCS benefits and Incapacity Benefit because these appeals accounted for the majority of the Appeals Service's intake (64% for 2005-2006).

We were involved with the Tribunals Service and the DCS in plans for a pilot to test the effectiveness of alternative forms of dispute resolution in Disability Living Allowance appeals.

A Joint Steering Committee was established between DCS and us and a number of joint approaches and initiatives were pursued. The Committee oversaw a review of cases determined on the paper evidence. This proved useful in reviewing and improving approaches to decision-making.

Continued opposite

Develop and improve our relationships with DWP agencies including: The development and implementation of National Service Statements; Exploring opportunities for initiatives and pilots; and Establishing closer working relationships at a local level.

Continued

Look to continue to develop the relationship management functions performed by local managers.

Relationship management functions have been included in the job descriptions and key work objectives for all managers and team leaders. Managers put controls and procedures in place to ensure good communication links at outlying venues. Within regions, we liaised regularly with judiciary, DWP Agencies and Welfare Rights Organisations to identify and take forward service improvements.

Work closely with DWP and DCA colleagues on the establishment of the Tribunals Service, including essential activity on transfer of the Appeals Service from the DWP to the DCA.

Undertake joint planning activities with DWP and DCA colleagues to develop an agreed plan for the transfer of the Appeals Service to DCA. The planning activities will address all aspects associated with moving away from the current DWP environment to the new Tribunals Service environment within DCA.

We played a full part in the DWP Transfer Group as well as carrying out detailed work with DWP colleagues on transferring staff, estates, contracts, IT aspects of policy and financial resources.

Working with colleagues in the DWP, the Department for Constitutional Affairs and other tribunals, to make a significant contribution to the successful creation of the proposed Tribunals Service

3.7 We continually worked with both DCA and DWP during the year, planning and implementing our transition to the new Tribunals Service.

Our highlights included:

- We successfully completed all activities we were responsible for and the transition to DCA took place on time.
- We kept staff fully informed on all aspects of the transition that affected them.
- We helped create the new Tribunals Service through membership of its management team.

The details of our achievements associated with 'Working with colleagues in the DWP, the Department for Constitutional Affairs and other tribunals, to make a significant contribution to the successful creation of the proposed Tribunals Service' are provided in the following tables:

Contribute to DCA activity associated with the establishment of the Tribunals Service, the delivery of the Tribunals Service Programme and the joint planning activity associated with the transfer of the Appeals Service from the DWP to the DCA.

Contribute to the DCA Tribunals Service Programme through Appeals Service Senior Management membership of DCA management and other forums.

We were represented on both the DWP Transfer Group and the DCA Appeals Service Implementation Board; we also participated in working level arrangements in key areas, for example, Finance and HR.

Undertake joint planning activities with DWP and DCA colleagues to develop an agreed plan for the transfer of the Appeals Service to DCA. The planning activities will address all aspects associated with moving away from the current DWP environment to the new Tribunals Service environment within DCA.

A dedicated Transfer Team was established to coordinate planning and liaise with DWP and Tribunals Service project teams. The team ensured that detailed plans were drawn up relating to actions for which we were responsible or which affected staff. A review by Internal Audit provided 'substantial assurance' of the effectiveness of our planning and controls. All key activities were completed on time and a smooth transition to DCA was secured.

Engage with colleagues in the DCA and other tribunals to develop strategic partnerships regarding the sharing of resources, estate and mode of operation, in advance of the move to the DCA.

<p><i>Identify opportunities, in agreement with DWP and DCA, for early unification before any formal move to the DCA e.g. shared use of tribunal venue estate, where there may be financial or quality of service benefits.</i></p>	<p>Other than sharing venue estate, we concluded that early unification was not appropriate.</p>
<p><i>Participate in the DCA Clearing House initiative for the utilisation of spare venue capacity across all Tribunal Services.</i></p>	<p>As described on page 16 we participated in the Venue Clearing House initiative.</p>

Contribute to the DCA's communication strategy for the proposed Tribunals Service, ensuring that our appellants and their representatives are aware of the changes that will occur.

<p><i>Work with the DCA and the DWP to determine what needs to be communicated as plans progress and to play our part in this communication.</i></p>	<p>We worked with DCA and DWP on the development of a communication plan. In particular, we told customers about the transfer in their hearing notification letters. Staff and the judiciary received regular updates through normal communication channels.</p>
<p><i>Ensure that our staff and the judiciary continue to be kept fully informed of the emerging plans for the Tribunals Service, providing feedback to the DCA Tribunals Service Programme as appropriate.</i></p>	<p>As described on page 33, we communicated throughout the year using a variety of means.</p>
<p><i>Ensure effective stakeholder engagement with our appellants and their representatives, providing feedback to the DCA Tribunals Service Programme as appropriate.</i></p>	<p>Besides telling customers about the transfer in their hearing notification letter, representatives were kept informed through local Tribunal User Groups and our magazine, Tribune.</p> <p>In addition, full liason arrangements between the new Tribunals Service and DWP have been developed and put in place, to ensure close and effective working between the two organisations in the future.</p>

4 Use of resources

Basis of funding

4.1 During 2005-2006 the Agency was a supply financed Executive Agency of the Department for Work and Pensions and as such remained subject to gross expenditure control under the Parliamentary Vote System. The net cash cost of the Agency's operations, along with the rest of the Department, will be accounted for with Schedule 1 of the Department's Resource Account. This account is planned to be finalised and published later in the year.

4.2 The Agency's work programme and expenditure plans for the year were published in the Agency's Business Plan for 2005-2006 and form part of CM6829 Department for Work and Pensions Departmental Report 2006

Financial outturn

4.3 Our net operating costs for the year 2005-2006 amounted to £68.1 million (compared with £66.2 million in 2004-2005). Our net operating costs are funded by the Department for Work and Pensions through our running cost allocation. Our direct operating costs of £64.8 million represented a small overspend on our financial plan for 2005-2006, which was based on initial funding of £64.6 million to cover these costs. The overall expenditure for the year of £68.1 million includes central departmental recharges of £3.3 million.

4.4 Some 88% of our direct running costs relates to frontline activity and investment in improving our service, with 12% spent on support costs. Our distribution of resources is:

- £56.7 million on the cost of hearing appeals, including related accommodation costs; and
 - £8.1 million on necessary support services such as IT, Finance and HR.
- 4.5 Capital expenditure for the year, including transfers from the DWP Corporate Centre, amounted to £3.3 million (2004-2005, £728,000). The majority of this expenditure related to new IT equipment compatible with the IT systems of our new Department, DCA. The net operating cost includes £105,000 (2004-2005, £217,000) of expenditure on assets valued at less than £5,000 which are not capitalised (see note 1.2 to the Accounts). Tangible fixed assets employed by the Agency are valued at net current replacement cost (see Note 1.2).
- 4.6 A full set of our Annual Accounts is contained in Section 5. These accounts are prepared on an accruals basis and include a number of material non-cash items, which are borne centrally by the Exchequer, for example, cost of capital charge (see Note 5 to the accounts).
- 4.7 The National Insurance Fund (NIF) is the responsibility of the HMRC. However, the contributory benefits funded from the NIF are administered by the Department on behalf of the HMRC. The Agency incurs costs associated with the administration of these benefits. The Agency receives income from the NIF to recover these costs and these recoveries are recorded in the General Fund as Funding from the National Insurance Fund (see Note 13 to the Accounts).

Payments to suppliers

- 4.8 The Agency is committed to the prompt payment of bills for goods and services received. Payments are normally made as specified in contracts. If there is no contractual provision or other understanding, they should be paid within 30 days of the receipt of the goods or services, or presentation of a valid invoice or similar demand, whichever is later. A review of all payments made during a twelve month period, conducted to measure how promptly the Agency pays its bills, found that approximately 97% (2004-2005 97%) of bills were paid within this standard.
- 4.9 The Late Payment of Commercial Debts (Interest) Act 1998, which came into effect from 1 November 1998 and the Late Payment of Commercial Debts Regulations 2002 which came into force on 7 August 2002 provides all businesses and public sector bodies with the right to claim interest for late payment.

Post balance sheet events

- 4.10 Other than the transfer of the Agency to the DCA on 1 April 2006, there have been no post balance sheet events and the financial statements reflect conditions that existed at the balance sheet date.

Employment of disabled persons

- 4.11 People with disabilities as defined in the Disability Discrimination Act 1995, are employed across all grades within the Department.

Commitment to equality and valuing diversity

- 4.12 The Agency is committed to providing services which embrace diversity and which promote equality of opportunity. As an employer the Agency is also committed to equality and valuing

diversity within our workforce. Our goal is to ensure that these commitments, reinforced by our values, are embedded in our everyday working practices with all our customers, colleagues and partners.

Employee involvement

- 4.13 The Agency communicates with staff on a regular basis through key messages in order to create awareness and encourage feedback and involvement in the business.
- 4.14 Staff are also able to access trade union membership. The Agency uses the established Whitley process of staff consultation. The Whitley council and committees provide a recognised and agreed forum in which both employer and trade unions meet to discuss matters. In this way, staff views are represented and information for employees is communicated.

Auditors

- 4.15 These accounts have been audited by the Comptroller and Auditor General whose certificate and report appear on page 67. The total audit fee for 2005-2006 is £48,000. There were no fees in respect of non-audit work during 2005-2006.
- 4.16 As far as the Accounting Officer is aware, there is no relevant audit information of which the National Audit Office are unaware and the Accounting Officer has taken all the steps that she ought to have taken to make herself aware of any relevant audit information and to establish that the Agency's auditors are aware of that information.



Christina Townsend
Chief Executive
19 July 2006

Remuneration Report

Remuneration Policy

The remuneration of the Appeals Service's Board Members who are senior civil servants is determined by a Pay Strategy Committee chaired by the Department's Permanent Secretary, and also comprising the Department's Human Resources Director, the Chief Executive of Jobcentre Plus, and a non-Executive Director of the Department. The committee follows independent advice from the Review Body on Senior Salaries.

In reaching its recommendations, the Review Body has regard to the following considerations:

- the need to recruit, retain and motivate suitably able and qualified people to exercise their different responsibilities;
- regional/local variations in labour markets and their effects on the recruitment and retention of staff;
- Government policies for improving the public services including the requirement on departments to meet the output targets for the delivery of departmental services;
- the funds available to departments as set out in the Government's departmental expenditure limits; and
- the Government's inflation target.

The Review Body takes account of the evidence it receives about wider economic considerations and the affordability of its recommendations.

Further information about the work of the Review Body can be found at www.ome.uk.com.

Service Contracts

Civil Service appointments are made in accordance with the Civil Service Commissioners' Recruitment Code, which requires appointment to be on merit on the basis of fair and open competition but also includes the circumstances when appointments may otherwise be made.

Unless otherwise stated below, the officials covered by this report hold appointments which are open-ended until they reach the normal retiring age of 60. Early termination, other than for misconduct, would result in the individual receiving compensation as set out in the Civil Service Compensation Scheme.

Edward James is a fixed term contract appointee whose contract will expire on 4 August 2006. In the event of early termination a period of thirty days notice is required to be given by either party, and in this case the Appeals Service's liability is limited to compensation payable to the agency which supplied the appointee, for any unavoidable loss incurred by them.

Paul Duffy and Steve Hayes were fixed term contract appointees whose contracts ended on 15 April 2005 and 31 March 2006 respectively. No compensation was payable for early termination.

Further information about the work of the Civil Service Commissioners can be found at www.civilservicecommissioners.gov.uk.

Salary and pension entitlements (audited)

The following sections provide details of the remuneration and pension interests of the most senior officials of the Appeals Service.

Remuneration	2005-2006		2004-2005	
	Salary	Benefits in kind	Salary	Benefits in kind
		(to nearest £100)		(to nearest £100)
	£'000	£	£'000	£
Christina Townsend ⁶ <i>Chief Executive</i>	85-90	0	115-120	0
Carol Brooke ¹ <i>Information Systems Director</i>	30-35	0	35-40	0
Paul Duffy ² <i>Modernisation Director</i>	n/a	n/a	n/a	n/a
Norman Egan <i>Director of Operations</i>	65-70	0	60-65	0
Steve Hayes ⁵ <i>Human Resources Director</i>	125-130	0	n/a	n/a
Edward James ⁵ <i>Director of Finance and Planning</i>	135-140	0	n/a	n/a
Ian McWilliam ³ <i>Operational Policy, Communications and Judicial Support Director</i>	5-10	0	45-50	0
Nicholas Peacey ⁴ <i>Change Director</i>	5-10	2,600	30-35	2,300
Phil Teece <i>Modernisation Programme Director</i>	60-65	0	55-60	0

Salary

Salaries quoted relate solely to the period during the year when the individuals concerned served on the Appeals Service board of management.

'Salary' includes gross salary, performance pay or bonuses, overtime, reserved rights to London weighting or London allowances, recruitment and retention allowances, private office allowances and any other allowances to the extent that it is subject to UK taxation.

Benefits in Kind

The estimated monetary value of benefits in kind covers any benefits provided by the employer and treated by the HMRC as a taxable emolument. The reported benefits in kind relate to the private use of allocated cars provided under the Department's Private User Scheme.

¹ Though Carol Brooke was a board member throughout the year, her remuneration after 31 December 2005 was paid by the Department for Constitutional Affairs. Figure quoted is for the period from 1 April 2005 to 31 December 2005. The full year equivalent is £40-45k.

² Paul Duffy did not consent to the disclosure of his remuneration as a senior official.

³ Figure quoted is for the period from 1 April 2005 to 31 May 2005. The full year equivalent is £45-50k.

⁴ Figure quoted is for the period from 1 April 2005 to 31 May 2005. The full year equivalent is £35-40k.

⁵ Salary quoted includes fees paid to employment agencies through which Steve Hayes and Edward James were employed.

⁶ The 2004-2005 figure includes back pay for previous accounting periods.

Pension Benefits (audited)	Accrued pension at age 60 as at 31/03/06 and related lump sum £'000	Real increase in pension and related lump sum at age 60 £'000	Cash Equivalent Transfer Value at 31/03/06 £'000	Cash Equivalent Transfer Value at 31/03/05 £'000	Real increase in Cash Equivalent Transfer Value £'000	Employer's contribution to partnership pension account Nearest £'000
Christina Townsend <i>Chief Executive</i>	5-10 Plus 0-5 lump sum	0-2.5 Plus 0-2.5 lump sum	123	67	31	-
Carol Brooke <i>Information Systems Director</i>	10-15 Plus 30-35 lump sum	0-2.5 Plus 0-2.5 lump sum	159	109	12	-
Paul Duffy ¹ <i>Modernisation Director</i>	- Plus 0-2.5 lump sum	- Plus 20-25 lump sum	-	-	-	-
Norman Egan <i>Director of Operations</i>	25-30 Plus 85-90 lump sum	0-2.5 Plus 0-2.5 lump sum	636	494	23	-
Steve Hayes ¹ <i>Human Resources Director</i>	-	-	-	-	-	-
Edward James ¹ <i>Director of Finance and Planning</i>	-	-	-	-	-	-
Ian McWilliam <i>Operational Policy, Communications and Judicial Support Director</i>	15-20 Plus 55-60 lump sum	0-2.5 Plus 0-2.5 lump sum	343	320	3	-
Nicholas Peacey <i>Change Director</i>	5-10 Plus 25-30 lump sum	0-2.5 Plus 0.2.5 lump sum	151	135	4	-
Phil Teece <i>Modernisation Programme Director</i>	0-5 Plus 10-15 lump sum	0-2.5 Plus 0-2.5 lump sum	90	59	15	-

¹ The above noted board members are fixed term contract appointees to whom a Civil Service pension is not available.

Civil Service Pensions

Pension benefits are provided through the Civil Service Pension (CSP) arrangements. From 1 October 2002, Civil Servants may be in one of three statutory based 'final salary' defined benefit schemes (classic, premium, and classic plus). The Schemes are unfunded with the cost of benefits met by monies voted by Parliament each year. Pensions payable under classic, premium, and classic plus are increased annually in line with changes in the Retail Price Index. New entrants after 1 October 2002 may choose between membership of premium or joining a good quality 'money purchase' stakeholder arrangement with a significant employer contribution (partnership pension account).

Employee contributions are set at the rate of 1.5 per cent of pensionable earnings for classic and 3.5 per cent for premium and classic plus. Benefits in classic accrue at the rate of 1/80th of pensionable salary for each year of service. In addition, a lump sum equivalent to three years' pension is payable on retirement. For premium, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike classic, there is no automatic lump sum (but members may give up (commute) some of their pension to provide a lump sum). Classic plus is essentially a variation of premium, but with benefits in respect of service before 1 October 2002 calculated broadly as per classic.

The partnership pension account is a stakeholder pension arrangement. The employer makes a basic contribution of between 3 per cent and 12.5 per cent (depending on the age of the member) into a stakeholder pension product chosen by the employee. The employee does not

have to contribute but where they do make contributions, the employer will match these up to a limit of 3 per cent of pensionable salary (in addition to the employer's basic contribution). Employers also contribute a further 0.8 per cent of pensionable salary to cover the cost of centrally-provided risk benefit cover (death in service and ill-health retirement). None of the Directors of the Appeals Service currently holds a partnership pension account.

Further details about the CSP arrangements can be found at the website www.civilservice-pensions.gov.uk.

Cash Equivalent Transfer Values

A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies. The CETV figures, and from 2003-2004 the other pension details, include the value of any pension benefit in another scheme or arrangement which the individual has transferred to the CSP arrangements and for which the CS Vote has received a transfer payment commensurate to the additional pension liabilities being assumed. They also include any additional pension benefit accrued to

the member as a result of their purchasing additional years of pension service in the scheme at their own costs. CETVs are calculated within the guidelines and framework prescribed by the Institute and Faculty of Actuaries.

Please note that the factors used to calculate the CETV were revised on 1 April 2005 on the advice of the Scheme Actuary. The CETV figure for 31 March 2005 has been restated using the new factors so that it is calculated on the same basis as the CETV figure for 31 March 2006.

Real increase in CETV

This reflects the increase in CETV effectively funded by the employer. It takes account of the increase in accrued pension due to inflation, contributions paid by the employee (including the value of any benefits transferred from another pension scheme or arrangement) and uses common market valuation factors for the start and end of the period.

non-Executives (audited)	2005-2006	2004-2005
	Total Fees	Total Fees
	£'000	£'000
Fees and expenses were paid to the following non-Executive Board members:		
Sir Leonard Peach	37	16

Fees paid to Sir Leonard Peach include amounts in respect of his membership of the DWP Audit Committee and work done for DWP reviewing the quality of benefit application decision-making.

Signed:



Christina Townsend
Chief Executive
19 July 2006

Statement of the Appeals Service Agency's and Accounting Officer's responsibilities

Under the Government Resources and Accounts Act 2000, the Treasury has directed the Agency to prepare a statement of accounts for each financial year in the form and on the basis set out in the Accounts Direction detailing the resources acquired, held, or disposed of during the year and the use of resources by the Agency during the year.

The accounts are prepared on an accruals basis and must give a true and fair view of the Agency's state of affairs at the year end and of its income and expenditure, recognised gains and losses and cash flows for the financial year.

In preparing the accounts the Agency is required to comply with the Finance Reporting Manual (FReM) prepared by HM Treasury, and in particular to:

- observe the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- make judgements and estimates on a reasonable basis;
- state whether applicable accounting standards, as set out in the FReM, have been followed, and disclose and explain any material departures in the accounts; and
- prepare the accounts on the going concern basis, unless it is inappropriate to presume that the Agency will continue in operation.

The Principal Accounting Officer of the Department for Work and Pensions has appointed me as the Accounting Officer for the Agency. My relevant responsibilities as Accounting Officer, including responsibility for the propriety and regularity of the public finances for which an Accounting Officer is answerable, for keeping proper records and for safeguarding the Agency's assets, are set out in the Accounting Officers' Memorandum, issued by the Treasury and published in Government Accounting.

Signed:



Christina Townsend
Chief Executive
19 July 2006

1 Scope of responsibility

As Agency Accounting Officer, I have responsibility for maintaining a sound system of internal control that supports the achievement of the Appeals Service Agency's policies, aims and objectives, set by the Department's Ministers, whilst safeguarding the public funds and departmental assets for which I am personally responsible, in accordance with the responsibilities assigned to me in Government Accounting.

My responsibilities as Agency Accounting Officer are more fully defined in a letter from the Permanent Secretary. This provides that I am responsible to the Minister and accountable to Parliament for the Agency's use of resources in carrying out its functions.

2 The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness.

The system of internal control is based on an ongoing process designed:

- to identify and prioritise the risks to the achievement of Agency and departmental policies, aims and objectives;
- to evaluate the likelihood of those risks being experienced and the impact should they be realised; and
- to manage them efficiently, effectively and economically.

The system of internal control has been in place in the Appeals Service for the year ended 31 March 2006 and accords with HM Treasury guidance.

3 Capacity to handle risk

The Agency Senior Management Team leads the risk management process, including the information and update of risk registers. All identified risks are assigned a senior risk owner and appropriate risk action managers who are accountable for management and mitigation. The strategic risk register is reviewed monthly by the Senior Management Team with its members presenting monthly updates on the risks to achievement of the targets and objectives for which they are individually accountable.

Procedures are in place for the escalation of any risks as required to the Executive Team of the Department for Work and Pensions (DWP). The Appeals Service Finance Director represented the Appeals Service on the DWP Strategic Risk Review Board up to its replacement by the Planning, Performance and Risk Committee. The redefinition of the role of that body meant that Agency representation was no longer appropriate. The overall state of the Agency's risk management processes and relationships with DWP specialists has meant there was no significant impact on the Agency's capacity to manage risk.

The Agency Audit Committee, chaired by our non-Executive Director, Sir Leonard Peach, acts in an advisory capacity. Its role is to support me by offering objective advice on issues concerning the risk, control and governance of the organisation and the associated assurances. Its terms of reference are consistent with HM Treasury's Audit Committee Handbook.

Appropriate guidance is available to all staff in the Appeals Service Risk Management Guide and in DWP guidance. All actual or potential senior risk owners and risk action managers have been trained, or have access to training, in the procedures. Best practice is identified and disseminated by risk management experts in DWP and advice is available from the DWP's internal auditors (Risk Assurance Division).

4 The risk and control framework

The Appeals Service has adopted the DWP Risk Management Policy and strategy as its own. Its underlying risk management principles are that:

- Senior managers will foster a culture to support well judged decisions about risks and opportunities, enabling innovation to be handled with confidence;
- The management of risk will be integrated into existing processes;
- Clear roles and definitions will be agreed relating to the accountability, management, escalation and communication of key risks;

- Risks will be managed at the lowest level at which the manager has the authority, responsibility and resources to take action;
- All managers will encourage openness and honesty in the reporting and escalation of risks;
- There will be a consistent approach to the assessment of risks and opportunities;
- The effectiveness of risk management will be subject to challenge through regular systematic assessment; and
- We will strive to continually improve the management of our risks;

Context

In my Statement on Internal Control for the year ending 31 March 2005, I reported that we had implemented steps to strengthen internal control, including, focusing internal audit coverage more on risk and improving performance measurement, reporting and management (details of the internal audit programme are set out below).

In order to improve performance a range of initiatives were developed by the Agency which included:

- improvements to management information and reporting;
- automation of appellant information capture in the GAPS2 system with potential for significant cost savings;
- a review of DWP Agency processes to improve our interfaces with them; and

- greater use of technologies such as electronic file tracking and the Internet to make appeals processing more efficient, including potential optimisation of the use of adjudication resources.

These will now be considered against the needs of the new Tribunals Service.

Despite not strengthening the Audit Committee last year, I consider the constitution of our Audit Committee was adequate for the period under review. As a consequence of the transfer to the Department for Constitutional Affairs (DCA) we shall be part of a larger Agency with governance arrangements determined by this Department.

The top risk priorities for the Agency are the achievement of Secretary of State and other key targets and objectives, the achievement of our efficiency targets, from the update of our main IT operating system (GAPS2), from the transfer of our regional office in Cardiff, the achievement of operational targets at our Nottingham office and our ability to manage the service with the complexity arising from the transfer to the DCA to form part of the newly forming Tribunals Service. At the request of the DCA, this transfer was brought forward from April 2007 to April 2006. The complexity and the resource required for a successful transfer have meant the deferral of some initiatives to manage and improve performance.

The Senior Management Team assesses the organisation's management of risk during the annual planning and monthly performance review cycle. Risk management is embedded in our policymaking, planning and delivery by

the identification of risks in the annual directorate business plans which also set out the plans for their management and mitigation. Risk registers are reviewed and updated regularly at each level of the Agency.

The project to modernise our IT system (GAPS2) is subject to discrete project management and governance arrangements, with myself as Senior Reporting Officer. The design, development and testing of GAPS2 was completed on 6 February 2006, one week behind schedule as a result of additional work undertaken on the letter writing facility which was initially under-specified. The project remains on track to be delivered within budget. However, as a result of poor initial performance on DCA's IT infrastructure, a decision has been made to delay formal go live until these performance issues are resolved. Implementation of contingency plans has meant that the operational impact of this delay has not been significant.

In the early months of the year operational performance at Nottingham was jeopardising the achievement of one of the Appeals Service key operational targets for reducing the number of cases over 20 weeks old. However, an action plan was implemented, which included the allocation of additional sessions and the establishment of an Operational Task Force (gathered from other Agency sites and departments) to target the outstanding arrears of work. As a result the Agency's overall aged cases target for the year was met.

Progress was also made on the optimisation of our venue estate. Implementation of the full proposal

would, as well as maintaining a good level of service to appellants, realise savings in the region of £1.6 million, and a reduction in estate running costs of 13%. However, a decision to implement was deferred pending review of the estate strategy for the Tribunals Service as a whole and the proposal will now be taken forward by the Tribunals Service.

The lease for our Cardiff office expires early in 2006-2007 and as a consequence it was initially planned to move out to alternative local accommodation by 31 March 2006. Delays in identifying and securing appropriate accommodation have meant there was insufficient lead time to achieve this whilst maintaining operational continuity. As a result extended occupancy of the old premises has been agreed to cover the period up to the revised transfer timetable of July 2006.

There was a shortfall of 120 medically qualified panel members. The existing recruitment arrangements were improved, and as a result, the application pack was revised, advertising was undertaken more widely and Regional Chairmen made local contact with relevant organisations. However, from 208 applications (210 in 2004-2005) only 33 appointments (22 in 2004-2005) were made and the shortfall had not been resolved at the year end.

In the short term, we asked medically qualified panel members to cover regions where there was a shortfall as well as their own regions. For the longer term, we began work with DCA on a strategy which included reviewing the feasibility of reducing the requirement for such members in the future.

Risks are also managed with stakeholders and partners through a variety of forums and service agreements. We have begun the process of updating and strengthening these arrangements and will complete them during the coming financial year. National Service Statements have been developed jointly and joint liaison groups established with the four main DWP Agencies through the year and were formally signed off just before the year end. The statements have been designed to help manage the end-to-end appeals process following transfer to the Tribunals Service, as has the high level Partnership Agreement established between DWP and DCA.

National Service Statements were also agreed and joint liaison groups established with Her Majesty's Revenue and Customs, the Commissioners' Office and Local Authorities.

A key objective of both the DWP and the Agency is to reduce the overall volume of appeals. To this end, Sir Leonard Peach, non-Executive Director of the Appeals Service, reviewed, with DWP, the judiciary and the DCA, ways to improve the quality of decision-making, putting an initial report to the then DWP Permanent Secretary in June 2005. A Working Group was established which promoted joint working within and between Departments.

Recommendations from Sir Leonard's first report included:

- strengthening the reconsideration process;
- ensuring appropriate evidence was received as early as possible in the

process and that decision-makers had time to consider evidence received after the appeal had been made;

- previewing cases before hearing to ensure they were ready to proceed and all necessary evidence was available; and
- improving communications, training and feedback at all levels of the decision-making and appeals process.

Sir Leonard's final report was issued to the DWP Permanent Secretary at the end of March 2006.

Ipsos MORI conducted the second annual customer research in December 2005 and reported that as a result of a decline in the levels of satisfaction in those that lose their appeal, the Customer Satisfaction Index has fallen overall slightly from 60% in 2004 to 57%, even though we performed better or at least as well as in 2004 on many of the key drivers of satisfaction.

Early provision of information led to increased satisfaction. In the event, it was not feasible for DWP Agencies to issue the leaflet with the notification of their decision and thus we did not achieve the targeted rise in satisfaction. The decrease in the Index was also due to a big drop in satisfaction amongst those who lost their case (from 48% to 41%). Levels of satisfaction remained the same among those who won.

Recommended priority areas for improvement, in place by March 2006, included:

- working with the judiciary to explore means of better explaining tribunal decisions;
- examining how other similar organisations inform individuals of progress, deciding whether and how the Appeals Service should provide an enhanced service;
- getting the information and related leaflets to appellants as early as possible in the appeals process and providing more information on representative organisations and what to expect when attending a tribunal;
- completing a review of standard letters to improve the style and make them easier to understand; and
- reviewing the pre-hearing Enquiry Form (TAS1) to provide clearer information about the appeal.

These will now be considered against the needs of the new Tribunals Service.

We also have in place national and local business continuity plans to manage the risk of loss of premises, staff, computer systems and services provided by external providers. These have been rehearsed successfully a number of times during the year. My Information Services Director reports annually to me and to the Audit Committee on the effectiveness of our business continuity arrangements.

Internal control is further exercised through a system of checks designed to mitigate the risk of fraud and error so as to ensure both efficient use of resources and the effectiveness of our customer service. During the year we have

completed a review of the existing controls and checks within our operating division to assess that they are proportionate and effectively managing risk. We have also identified those controls and checks that need to be embedded within our processes and systems and are designing improved management information to monitor compliance.

Our risk environment involves managing a number of risks that might impact on the public. We have during the year continued to improve security at our tribunal venues, with a security presence at each, thus mitigating any risks to members of the public, panel members and others. Representatives of the public, DWP Agencies and other relevant benefit decision-making bodies are consulted via local Tribunal User Groups and a National Customer Representative Liaison Forum.

The security regime addresses risks to assets and internal security, including maintenance of a Fixed Asset Register and associated asset checks. My Information Services Director reports to me and to the Audit Committee annually on the Agency's security status.

Compliance with information security procedures is monitored by DWP processes for the overall accreditation of our IT systems and by a series of security checks. The Agency complies with relevant data protection legislation and takes appropriate action to minimise unauthorised disclosures of any personal information it is required to hold as a result of its business. The Agency has also put in place policies and procedures for ensuring compliance with the Freedom of Information Act and with our data

protection obligations, and my Information Services Director also reports to me and to the Audit Committee annually on these matters.

There have remained some risks that inevitably lie outside of my direct control. Obviously, I have no role in the running or decisions of the individual tribunals, nor any role in the management, appraisal or discipline of tribunal members. There continues to be a level of inherent risk arising from the fact that I do not have control over judicial processes. The principal areas concerned are:

- Number of appeals listed. Case timings are set by the judiciary, effectively determining the number of cases to be listed for hearing for each given case type as set out in the Clerks Handbook of Appeals Procedures;
- Judicial communication, and in particular the basis of the judicial decision, which is an important, driver of appellant satisfaction, and particularly for those whose appeal was unsuccessful, but also includes ensuring that appellants believe they have had the opportunity to represent their case fully and that it has received due consideration from the panel members.
- Frequency of hearings adjourned or postponed for a future date. Whether a hearing should be adjourned or postponed is generally at the discretion of the tribunal. The President was supplied with performance management information including four year

trends for key judicial performance indicators. Latterly, we provided information in a monthly report.

- The President discussed the data with Regional Chairmen at President's Steering Group meetings. A number of joint administrative and judicial initiatives were pursued to reduce adjournments, including:
 - better control and management of appeals determined on the paper evidence;
 - development of joint local action plans;
 - judicial guidance to legally qualified panel members;
 - implementation of new controls and checks; and
 - referral of complex cases for judicial direction on timings and requirement for further evidence.
- Control over the number of panel members appointed and over the terms and conditions of their appointments. Section 6(4) of the Social Security Act 1998 provides that the numbers of, and terms and conditions for, panel members shall be determined by the Lord Chancellor though with the consent of the Secretary of State. Section 6(5) provides that a person may only be removed in limited specified circumstances. The 5 yearly panel member appointments are automatically renewable. Non-renewal can only take place for the reasons set out in section 6(5), or for reasons related to a reduction in numbers arising from operational or structural requirements.

These factors restrict my flexibility as Accounting Officer of the Appeals Service to meet changing service needs and as such present a potential risk to service delivery, modernisation, Secretary of State targets and to improving efficiency. I have been in discussion with judicial representatives to identify the means by which such risks may be best managed e.g. by reducing the volume of adjourned and postponed hearings.

Change

Until 31 March 2006, the Agency was a constituent part of the DWP and our performance informs its reporting for the year then ended.

The Agency was transferred to the DCA from the DWP on 1 April 2006 to form part of the Tribunals Service, and as a result no longer exists as an independent Executive Agency in its own right. From that date, the management of risk will be incorporated within the Tribunals Service's Risk and Control Framework, which is currently under development.

5 Review of effectiveness

As Accounting Officer, I also have responsibility for reviewing the effectiveness of the system of internal control. My review of the effectiveness of the system of internal control is informed by the work of the DWP Risk Assurance Division and the executive managers within the Agency who have responsibility for the development and maintenance of the internal control framework, and comments made by the external auditors in their management letter and other reports.

I have been advised of the effectiveness of the system of internal control by the Senior Management Team and the Audit Committee and progress to ensure continuous improvement of the system is considered at both my Senior Management Team meetings as well as Audit Committee meetings.

Audit Committee

The Audit Committee met quarterly in 2005-2006, and has also met subsequently to oversee the production of the annual report and accounts for the year. It discussed the system of internal control, receives reports from DWP Risk Assurance Division and where appropriate representatives of the National Audit Office (NAO). The Committee is chaired by our non-Executive Director and the Committee's terms of reference and membership are in accordance with the HM Treasury publication 'The Audit Committee Handbook'.

The Audit Committee decided not to undertake a formal self-assessment using the framework recommended by the NAO, pending identification of alternative corporate governance arrangements within the Tribunals Service.

Improving Risk Management

My Finance Director acts as Risk Improvement Manager and is responsible for developing and improving the Agency's risk management capability as a result of the risk improvement programme resulting from the Strategy Unit's report '*Improving Government's capability to handle risk and uncertainty*'.

In October 2005, as in previous years, I assessed the Agency's risk management capability and effectiveness as defined by the HM Treasury Risk Assessment Framework. As this identified no major deficiencies, a final assessment at the end of the year was deferred pending identification of new risk management processes within the Tribunals Service. However, information on the Agency's experience and procedures has been passed to the Tribunals Service for consideration in devising its own arrangements.

The current Tribunals Service Strategic Plan sets out clearly our strategic intents and provides a sound basis for an annual Business Plan.

Improvement actions that have been implemented include:

- We refined the use of management information to present a more focused report to the Senior Management Team each month clearly identifying the major performance and risk management issues;
- Performance information is now reported to judicial colleagues regularly focusing on the issues which are relevant to them. The format of these reports was developed in conjunction with the judiciary;
- In addition to the existing monthly reports from Directors setting out progress against and risks to targets

and objectives at a Directorate level, an updated Strategic Risk register was implemented and discussed monthly at Senior Management Team meetings. The risk register has been subject to consistent update throughout the year, specifically tracking progress on the DCA transfer, the development of GAPS2, the re-location of our Cardiff office and proposals to optimise the venue estate. This has enabled the corporate risks facing the Agency to be managed in a more co-ordinated and efficacious manner; and

- The Chair of the Agency's Audit Committee will be meeting with the newly appointed Chair of the Tribunals Service Audit Committee, as well as producing a formal assessment report in order to ensure continuity of risk management in the new Agency.

Internal audit

In agreeing our internal audit plan for 2005-2006, emphasis has been placed on the engagement and involvement of all members of my Senior Management Team. The plan has also been reviewed at each Audit Committee meeting. The Internal Audit Plan is focused on the Agency's identified key risks and improving performance measurement, reporting and management.

The Department's internal auditors have undertaken at my request a programme of work based on the key risks impacting the Agency and the systems of control in place to mitigate them. The programme of work covered reviews of:

- Appeals Service Preparations for Transfer to the DCA;
- Implementation of an Appropriate Framework of Internal Control for the Appeals Service;
- Contract Arrangements for re-platforming the Generic Appeals Processing System (GAPS); and
- Review of the Appeals Service Improving Operational Performance Initiative.

This work culminates in the presentation of the RAD Annual Assurance Report, which offered substantial assurance (basically sound risk management, governance arrangements or control systems established, but they are not fully developed or consistently applied). Recommendations made by the internal auditors have been accepted onto the Agency's work programme.

6 Significant internal control problems

There were no significant internal control problems in the year.

Signed:



Christina Townsend
Chief Executive
19 July 2006

The Certificate and Report of the Comptroller and Auditor General to the House of Commons

I certify that I have audited the financial statements of the Appeals Service for the year ended 31 March 2006 under the Government Resources and Accounts Act 2000. These comprise the Operating Cost Statement and Statement of Recognised Gains and Losses, the Balance Sheet, the Cashflow Statement and the related notes. These financial statements have been prepared under the accounting policies set out within them.

Respective responsibilities of the Agency, the Chief Executive and Auditor

The Agency and Chief Executive are responsible for preparing the Annual Report and the financial statements in accordance with the Government Resources and Accounts Act 2000 and Treasury directions made thereunder and for ensuring the regularity of financial transactions. These responsibilities are set out in the Statement of Accounting Officer's Responsibilities.

My responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements, and with International Standards on Auditing (UK and Ireland).

I report to you my opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with HM Treasury directions issued under the Government Resources and Accounts Act 2000. I also report whether in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them. I also report to you if, in my opinion, the Annual Report is not consistent with the financial statements, if the Agency has not kept proper accounting records, if I have not received all the information and explanations I require for my audit, or if information specified by relevant authorities regarding remuneration and other transactions is not disclosed.

I review whether the statement on pages 58 to 66 reflects the Agency's compliance with HM Treasury's guidance on the Statement on Internal Control, and I report if it does not. I am not required to consider whether the Accounting Officer's Statement on internal control covers all risks and controls, or to form an opinion on the effectiveness of the Agency's corporate governance procedures or its risk and control procedures.

I read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. This other information comprises the Foreword by the Chief Executive, Management Commentary and the unaudited part of the Remuneration Report. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the financial statements. My responsibilities do not extend to any other information.

Basis of audit opinion

I conducted my audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. My audit includes examination, on a test basis, of evidence relevant to the amounts, disclosures and regularity of financial transactions included in the financial statements and the part of the Remuneration Report to be audited.

It also includes an assessment of the significant estimates and judgments made by the Agency and Chief Executive in the preparation of the financial statements, and of whether the accounting policies are most appropriate to the Agency's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the financial statements and the part of the Remuneration Report to be audited are free from material misstatement, whether caused by fraud or error and that in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them. In forming my opinion I have also evaluated the overall adequacy of the presentation of information in the financial statements and the part of the Remuneration Report to be audited.

Opinion

In my opinion:

- the financial statements give a true and fair view, in accordance with the Government Resources and Accounts Act 2000 and directions made thereunder by HM Treasury, of the state of the Agency's affairs as at 31 March 2006 and of the net administration costs, recognised gains and losses and cashflows for the year then ended;
- the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with HM Treasury directions issued under the Government Resources and Accounts Act 2000; and
- in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

I have no observations to make on these financial statements.

A handwritten signature in blue ink that reads "John Bourn". The signature is written in a cursive style with a large initial 'J' and 'B'.

John Bourn
Comptroller and Auditor General
20 July 2006

National Audit Office
157-197 Buckingham Palace Road
Victoria
London
SW1 9SP

Operating Cost Statement for the year ended 31 March 2006

		2005/06	2004/05
	Notes	£'000	£'000
Administration Costs			
Staff costs	2	27,796	27,729
Non-staff administration costs	3	40,480	38,532
Gross Administration Costs		68,276	66,261
Interest receivable and similar income	6	(127)	(40)
Net Administration Costs	13	68,149	66,221

All income and expenditure arose from operations transferred to the DCA's Tribunals Service on 1 April 2006.

Statement of Recognised Gains and Losses

for the year ended 31 March 2006

		2005/06	2004/05
	Notes	£'000	£'000
Net (loss)/gain on revaluation of tangible fixed assets	14	0	0
Recognised gains and losses for the financial year		<u>0</u>	<u>0</u>

The notes on pages 73 to 89 form part of the accounts.

Balance Sheet as at 31 March 2006

	Notes	31 March 2006		31 March 2005	
		£'000	£'000	£'000	£'000
Fixed assets					
Tangible assets	7		<u>3,395</u>		<u>1,326</u>
Debtors falling due after more than one year	9		28		90
Current assets					
Debtors falling due within one year	9	184		582	
Cash at bank and in hand	10	0		13	
		<u>184</u>		<u>595</u>	
Current Liabilities					
Creditors (amounts falling due within one year)	11	<u>(3,338)</u>		<u>(5,210)</u>	
Net current liabilities			<u>(3,154)</u>		<u>(4,615)</u>
Total assets less current liabilities			269		(3,199)
Creditors (amounts falling due after more than one year)					
Provision for liabilities and charges	12	<u>(126)</u>	(126)	<u>(223)</u>	(223)
			<u>143</u>		<u>(3,422)</u>
Taxpayers' equity					
General fund	13		143		(3,422)
Revaluation reserve	14		0		0
			<u>143</u>		<u>(3,422)</u>

The notes on pages 73 to 89 form part of the accounts.

Signed



Christina Townsend
Chief Executive
19 July 2006

Cash Flow Statement for the year ended 31 March 2006

	Notes	2005/06 £'000	2004/05 £'000
Net cash outflow from operating activities	15a	(58,536)	(53,468)
Capital expenditure and financial investment	15b	(798)	(45)
Financing from the Consolidated Fund	15c	34,609	33,566
Financing from the National Insurance Fund	15c	24,712	19,946
Decrease in cash in the period	10	<u>(13)</u>	<u>(1)</u>

The notes on pages 73 to 89 form part of the accounts.

1 Statement of accounting policies

The Appeals Service Agency presents its accounts for the financial year ended 31 March 2006. The accounts have been prepared in accordance with the direction given by HM Treasury in pursuance of Section 7(2) of the Government Resources and Accounts Act 2000.

The financial statements have been prepared in accordance with the 2005-2006 Government Financial Reporting Manual (FReM) issued by HM Treasury. The accounting policies contained in the FReM follow UK Generally Accepted Accounting Practice for companies (UK GAAP) to the extent that it is meaningful and appropriate to the Public Sector. Where the FReM permits a choice of accounting policy, the accounting policy which has been judged to be most appropriate to the particular circumstances of the Agency for the purpose of giving a true and fair view has been selected. The Agency's accounting policies have been applied consistently in dealing with items considered material in relation to the accounts.

The accounts have been prepared on a going concern basis as all of the functions undertaken by the Appeals Service were transferred to the DCA's Tribunals Service on 1 April 2006. All income and expenditure arises from operations transferred to the Tribunals Service. All the assets and liabilities of the Appeals Service were transferred to the Tribunals Service on 1 April 2006 at book value.

1.1 Accounting convention

These accounts have been prepared under the historic cost convention modified to account for the revaluation of fixed assets at their value to the business by reference to their current cost.

1.2 Tangible fixed assets

Tangible fixed assets are stated at the lower of replacement cost and recoverable amount.

All computers, together with other tangible assets costing more than the prescribed capitalisation limit of £5,000, are treated as capital assets. Where an item costs less than the capitalisation limit but forms an integral part of a package whose total value is greater than the capitalisation level, then the item is treated as a capital asset. On initial recognition they are measured at cost including any costs, such as installation, directly attributable to bringing them into working condition.

The Agency does not include in its Balance Sheet capital values for furniture and fittings provided and maintained under the Private Sector Resource Initiative for Management of the Estate (PRIME) contract. (See 1.3 below) For other furniture and fittings, the total cost of maintaining a record of relatively low value individual items is considered to be prohibitive and therefore these items are recorded on a pooled basis.

All fixed assets are revalued by reference to appropriate HM Treasury approved indices. Increases in value are credited to the Revaluation Reserve whilst decreases in value are debited to the Revaluation

Reserve up to the level of depreciated historic cost for any asset previously revalued. Any excess devaluation is charged to the Operating Cost Statement along with devaluation on assets (such as computers) not previously revalued upwards.

Each year, the realised element of the reserve (i.e. an amount equal to the excess of the actual depreciation over depreciation based on historical cost) is transferred from the Revaluation Reserve to the General Fund.

On disposal of a revalued asset, the balance on the revaluation reserve in respect of that asset becomes fully realised and is transferred to the General Fund.

1.3 Land and buildings

The Agency does not include in its Balance Sheet capital values for the freehold and leasehold land and buildings which it occupies under the Private Sector Resource Initiative for Management of the Estate (PRIME) contract. In accordance with FRS 5 the contract has been treated as an operating sale and leaseback, as the risks and rewards of ownership have been transferred substantially to the contractor.

1.4 Depreciation

Depreciation is provided on all tangible fixed assets, using the straight line method, at rates calculated to write off the current replacement cost (less any estimated residual value) of each asset, in equal instalments over its expected useful life. Fixed assets are depreciated from the month following acquisition. No depreciation is charged in the month of disposal.

Tangible fixed assets are depreciated over the following estimated useful lives:

Information Technology	3 to 5 years
Plant & Machinery	5 to 10 years
Motor Vehicles	4 to 7 years

1.5 Stocks

The Agency holds stocks of stationery, free publications, computer spares and similar consumable materials. Due to the nature of these items the Agency does not consider it appropriate to reflect their value in the Balance Sheet. Accordingly the Agency has charged all expenditure on consumable items to the Operating Cost Statement in the accounting period.

1.6 Administration expenditure

Administration costs reflect the costs of running the Agency as defined under the administration cost centre regime.

1.7 Operating income

Operating income is income which relates directly to the operating activities of the Agency. It principally comprises fees and charges for services provided on a full-cost basis to external customers, as well as public repayment work. It includes both income appropriated in aid of the Estimate but also income to be surrendered to the Consolidated Fund which in accordance with the FReM is treated as operating income (see Note 6). Operating income is stated net of VAT.

1.8 Capital charge

A charge, reflecting the cost of capital utilised by the Appeals Service, is included in notional operating costs (see Note 5). The charge is calculated at Government's standard rate of 3.5% in real terms on the average carrying amount of all assets less liabilities, except for:

- a. intra departmental balances; and
- b. assets and liabilities in respect of amounts due from, or due to be surrendered to, the Consolidated Fund where the charge is at nil rate.

1.9 Pensions

Present and past employees are covered by the provisions of the Principal Civil Service Pension Scheme (PCSPS), details of which are described in Note 2. The defined benefit scheme is unfunded and is non-contributory except in respect of dependants' benefits. The Agency recognises the expected cost of providing pensions on a systematic and rational basis over the period during which it benefits from employees' services by payment to the PCSPS of amounts calculated on an accruing basis. Liability for payment of future benefits is a charge on the PCSPS. Departments meet the cost of pension cover provided for the staff they employ by payment of charges calculated on an accruing basis. In respect of the defined Contribution Schemes, the Appeals Service recognises the contributions payable for the year. There is a separate scheme statement for the PCSPS as a whole. Details can be found in the resource accounts of the Cabinet Office; Civil Superannuation (www.civilservice-pensions.gov.uk).

1.10 Early departure costs

The Appeals Service meets the additional costs of benefits beyond the normal PCSPS benefits in respect of employees who retire early by paying the required amounts annually to the PCSPS over the period between early departure and normal retirement date. The Agency provides for this in full when the early retirement programme becomes binding on the Agency by establishing a provision for the estimated payments discounted by the Treasury discount rate of 2.2 per cent in real terms.

1.11 Provisions

The Agency provides for legal or constructive obligations which are of uncertain timing or amount at the Balance Sheet date on the basis of the best estimate of the expenditure required to settle the obligation. Where the effect of the time value of money is significant, the estimated risk-adjusted cash flows are discounted using the real rate by Treasury (currently 2.2%).

1.12 Operating leases

Operating lease rentals are charged to the Operating Cost Statement in equal amounts over the term of the lease on a straight line basis.

No finance leases are recorded in the accounts as fixed assets, as no such assets are held where substantially all risks and rewards of ownership are borne by the Agency.

1.13 Private Finance Initiative (PFI) transactions

PFI transactions have been accounted for in accordance with Treasury Technical Note No.1 (Revised) 'How to account for Private Finance Initiative transactions' as required by the FReM. Where the

balance of the risks and rewards of ownership of the PFI property are borne by the PFI operator, the PFI payments are recorded as an operating cost. Where the Agency has contributed assets, a prepayment for their fair value is recognised and amortised over the life of the PFI contract.

1.14 Value Added Tax

Most of the activities of the Agency are outside of the scope of VAT and, in general output tax does not apply and input tax on purchases is not recoverable. Irrecoverable VAT is charged to the relevant expenditure category or included in the capitalised purchase cost of fixed assets. Where output tax is charged or input VAT is recoverable, the amounts are stated net of VAT.

2 Staff numbers and related costs

a Staff costs

Staff costs consist of:

	Permanently employed staff £'000	Others £'000	2005/06 Total £'000	2004/05 £'000
Wages and salaries	20,562	1,211	21,773	22,375
Social security costs	1,679	0	1,679	1,713
Pension costs	4,224	0	4,224	3,641
Early retirement costs	120	0	120	0
Total	26,585	1,211	27,796	27,729

The Principal Civil Service Pension Schemes (PCSPS) to which most of the Appeals Service's employees are members is an unfunded multi-employer defined benefit scheme but the Appeals Service is unable to identify its share of the underlying assets and liabilities. A full actuarial valuation was carried out at 31 March 2003. Details can be found in the resource accounts of the Cabinet Office: Civil Superannuation (www.civilservice-pensions.gov.uk).

For 2005-2006 normal employer contributions of £4.2million (2004-2005 - £3.6million) were payable, to the PCSPS at one of the four rates in the range 16.2% - 24.6% (2004-2005 12% to 18.5 %) of pensionable pay, based on salary bands. The Schemes' Actuary reviews employer contributions every four years following a full scheme valuation. Rates will increase from 2005-2006. The contribution rates reflect benefits as they are accrued, not when the costs are actually incurred; and reflect past experience of the scheme.

No outstanding contributions were payable to the Civil Superannuation Vote at 31 March 2006.

Employees joining after 1 October 2002 could opt to open a partnership pension account, which is a stakeholder pension with an employer contribution. Employer's contributions of £4k (2004-2005 £4k) were paid to one or more of a panel of four appointed stakeholder pension providers. Employer contributions are age-related and range from 3-12.5% of pensionable pay. Employers also match employee contributions up to 3% of pensionable pay. In addition, employers contribute a further 0.8% of pensionable salary to cover the cost of centrally provided risk benefit cover relating to death in service and ill health retirement of these employees. Contributions due to the partnership pension providers at the balance sheet date were nil. Contributions prepaid at that date were nil.

4 persons (2004-2005 2 persons) retired on ill-health grounds; the additional accrued pension liabilities in the year amounted to £5k (2004-2005 £8k).

b Average number of persons employed

The average number of whole-time equivalent persons employed during the year is shown in the table below:

	Permanently employed staff Number	Others Number	2005/06 Number	2004/05 Number
Average number of whole time equivalent persons employed	757	12	769	809
Members of the judiciary	71	0	71	71
Total	828	12	840	880

3 Other administration costs

	Notes	2005/06 £'000	2004/05 £'000
Goods and Services	3a	6,418	4,996
Accommodation costs		1,442	1,331
Operating Leases: Hire of Plant & Machinery		393	487
Non-cash items	4	13,499	13,778
Compensation to customers	3b	8	4
Tribunal Expenses	3c	18,720	17,936
Total		40,480	38,532

a. Goods and Services expenditure is mainly in respect of postage, printing and stationery, minor capital items, external consultancy costs, utilities and staff related non payroll costs.

b. The Agency compensates those customers whose cases have been badly handled. The Agency has extended its policy on redress and will, exceptionally, consider making consolatory payments for

worry and distress caused by serious official error, or by the mishandling of a complaint.

c. This is the cost of staging the appeals tribunals and includes the fees and expenses of tribunal members, accommodation costs, the cost of additional medical evidence and travel expenses of the appellants themselves.

4 Other administration costs: Non-cash items

		2005/06	2004/05
	Notes	£'000	£'000
Notional costs	5	12,804	13,149
Depreciation	7c	354	503
(Profit)/Loss on disposal of fixed assets	7c	156	50
Impairment of fixed assets	7a	160	61
		<u>13,474</u>	<u>13,763</u>
Provisions:			
Movement in year	4a/12	14	8
Unwinding of discount	4b/12	5	7
Bad debt provision		6	0
Total		<u>13,499</u>	<u>13,778</u>

a. The annual compensation payments are increased each year in line with movements in the Retail Price Index. This increase is reflected in the early departure provision.

b. The unwinding of the discount represents the effect of recalculating the present value of the provision before the impact of the uplift has been taken into account.

5 Notional costs

Certain services are provided and received by the Agency without the transfer of cash. Amounts are included in the net cost of operations of £12.8 million (2004-2005 - £13.1 million) to reflect these costs and are made up as follows:

	Notes	2005/06 £'000	2004/05 £'000
Cost of Capital charge		(58)	(124)
Auditors remuneration and expenses	5a	48	43
Intra Departmental Charges Services provided and costs incurred by other Departmental Business Units on behalf of the Agency	5b	14,510	13,230
Less:			
Costs incurred by the Agency on behalf of other Departmental Business Units	5c	(1,696)	0
Total		12,804	13,149

a. The audit fee represents the cost for the audit of the financial statements carried out by the Comptroller and Auditor General. There were no fees in respect of non-audit work.

b. Services provided by other Departmental Business Units on behalf of the Agency include the operation of payroll, accounting systems and accommodation costs provided by DWP Corporate Centre.

Costs incurred by other Departmental Business Units on behalf of the Agency include £10.7 million (2004/05 £9.1 million) of accommodation costs.

c. Services provided by the Agency on behalf of other Departmental Business Units include office services and modernisation costs.

6 Income

	2005/06 £'000	2004/05 £'000
Income from external customers	(124)	(35)
Interest receivable on pre-funding of Early Departure costs	(3)	(5)
Total	(127)	(40)

7 Tangible fixed assets

Cost or valuation	Notes	Information Technology £'000	Office machinery £'000	Motor vehicles £'000	Assets under construction £'000	Total £'000
At 1 April 2005		2,290	479	173	165	3,107
In year additions		2,539	0	0	611	3,150
Transfers in	7b	157	(1)	47	0	203
Disposals	7c	(574)	(106)	(64)	0	(744)
Transfers out	7b	(1,628)	0	(54)	0	(1,682)
Revaluation		0	(2)	1	0	(1)
Impairments	7a	(261)	0	0	0	(261)
As at 31 March 2006		2,523	370	103	776	3,772
Depreciation						
At 1 April 2005		1,294	352	135	0	1,781
In year charge		285	46	23	0	354
Transfers in	7b	67	13	(2)	0	78
Disposals	7c	(450)	(94)	(44)	0	(588)
Transfers out	7b	(1,094)	0	(52)	0	(1,146)
Revaluation		0	(2)	1	0	(1)
Impairments	7a	(101)	0	0	0	(101)
As at 31 March 2006		1	315	61	0	377
Net book value 31 March 2006		2,522	55	42	776	3,395
Net book value at 31 March 2005		996	127	38	165	1,326
Utilisation 31 March 2006						
Assets in current use:						
Owned		2,522	55	42	776	3,395
Finance leased		0	0	0	0	0
Net book value 31 March 2006		2,522	55	42	776	3,395

a The impairment in fixed assets arising from the decrease in value of £160k in excess of previous revaluation has been charged to the Operating Cost Statement (see Note 4).

b The transfers in and out of assets relates to the purchase and disposal by

Departmental Corporate Centre on behalf of the Agency.

c Total depreciation in the year was £354k (2004-2005, £503k). The loss on sale of fixed assets charged to the Operating Cost Statement for the year is £156k (2004-2005, £50k), (see Note 4).

d Cash Flow Reconciliation	£'000
Capital Creditor/(Prepayment) at 1 April	4
Capital accruals at 1 April	165
Capital additions	3,150
Capital Creditor at 31 March 2006	0
Capital Accruals at 31 March 2006	(2,521)
	<hr/>
Purchases of tangible fixed assets per Cash Flow Statement	798
	<hr/>

8 Movements in working capital other than cash at bank

	Notes	2005/06 £'000	2004/05 £'000
Decrease/(Increase) in debtors	9	460	(153)
(Decrease)/Increase in creditors	11	(1,872)	(591)
		(1,412)	(744)
Adjustments: movement in working capital not relating to net operating costs			
Movement in capital trade creditors		4	12
Movement in provision for bad debt		6	0
Movement in capital accruals		(2,356)	(165)
Total		<hr/> (3,758)	<hr/> (897)

9 Debtors

a Analysis by Type		2005/06	2004/05
	Notes	£'000	£'000
Amounts falling due within one year:			
VAT		0	307
Deposits and advances	9(i)	19	28
Prepayments and accrued income		114	153
Early departure prepayment		43	66
Other debtors		14	28
Provision for doubtful debt		(6)	0
Total		184	582
Amounts falling due after more than one year:			
Deposits and advances	9(i)	0	18
Early departure prepayment		28	72
Total		28	90

(i) Deposits and advances due within one year includes £19k (2004-2005 £28k) of house purchase advances. Those due after more than one year includes £nil (2004-2005 £18k) of house purchase advances.

b Intra-Government Balances

The following table identifies balances with other types of public sector organisations within an analysis of total debtors:

	Amounts falling due within one year		Amounts falling due after more one year	
	2005-06 £'000	2004-05 £'000	2005-06 £'000	2004-05 £'000
Balances with other central government bodies	0	307	0	0
Balances with bodies external to government	184	275	28	90
Total debtors at 31 March	184	582	28	90

10 Cash at bank and in hand

	Notes	2005/06 £'000	2004/05 £'000
Balance at 1 April		13	14
Net cash inflow/(outflow)		(13)	(1)
Balance at 31 March 2006		0	13
The following balances were held at 31 March 2006			
Commercial banks and cash in hand		0	13

(a) The Office of HM Paymaster General (OPG) provides a current account banking service.

(b) The current Departmental policy is to hold all operational bank accounts centrally due to Vote funding requirements. The Financial Services Division of the Corporate Centre is the custodian of the Department's bank accounts and, as such, holds balances on behalf of the Agency.

11 Creditors

a Analysis by Type		2005/06	2004/05
	Notes	£'000	£'000
Amounts falling due within one year			
Trade creditors		0	(1,945)
Capital creditors		0	(4)
Amounts due to other Government Departments (including Local Authorities)		0	(52)
Taxation and social security		0	(1,041)
Superannuation		0	(89)
Accruals and deferred income		(817)	(1,690)
Capital accruals		(2,521)	(165)
Other creditors		0	(224)
Total		(3,338)	(5,210)

In preparation for the transfer to the DCA, DWP assumed most of the liabilities of the Appeals Service prior to the year end.

b Intra-Government Balances

The following table identifies balances with other types of public sector organisations within an analysis of total creditors:

	Amounts falling due within one year		Amounts falling due after more one year	
	2005-06 £'000	2004-05 £'000	2005-06 £'000	2004-05 £'000
Balances with other central government bodies	(2,521)	(1,182)	0	0
Balances with bodies external to government	(817)	(4,028)	0	0
Total creditors at 31 March	(3,338)	(5,210)	0	0

12 Provision for liabilities and charges

Early retirement and pension commitments	Notes	Provision £'000	2005/06 Prepayment £'000	Net Provision £'000
Balance at 1 April 2005		223	(138)	85
Amounts utilised in year		(116)	70	(46)
Increase in provisions:				
New entrants		0	0	0
Uplift	4	3	0	3
Unwinding of the discount	4	5	0	5
Other	4	11	0	11
Interest received on prefunding		0	(3)	(3)
Balance at 31 March 2006		126	(71)	55
Due within one year		82	(43)	39
Due after one year		44	(28)	16

The prepayment available for offset is included in debtors (see Note 9).

13 Reconciliation of net operating cost to changes in General Fund

	Notes	£'000	2005/06 £'000	£'000	2004/05 £'000
Net operating cost for the year			(68,149)		(66,221)
Financing from Consolidated Fund			34,609		33,566
Financing from National Insurance Fund			24,712		19,946
Notional charges	5		12,804		13,149
Non-cash capital additions			(411)		530
Net increase/(decrease) in General Fund			3,565		970
General Fund at 1 April			(3,422)		(4,392)
General Fund at 31 March 2006			143		(3,422)

The General Fund represents the historical cost of the assets employed by the Agency in its operations.

14 Reserves

Revaluation reserve	Notes	2005/06 £'000	2004/05 £'000
Balance at 1 April		0	0
Arising on revaluation during the year (net)	7	0	0
Balance at 31 March		0	0

The revaluation reserve reflects the unrealised element of the cumulative balance of indexation and revaluation adjustments.

15 Notes to the Cash Flow Statement

	Notes	£'000	£'000
a Reconciliation of operating cost to operating cash flow			
Net operating cost		68,149	66,221
Adjustment for non-cash transactions	4	(13,499)	(13,778)
(Increase)/decrease in debtors	9	(460)	153
Increase/(decrease) in creditors	11	1,872	591
less movements in creditors relating to items not passing through the OCS			
Movement in capital trade creditors	11	(4)	(12)
Movement in capital accruals	11	2,356	165
Amount of provision utilised in year	12	116	128
Movement in provision for bad debt	9	6	0
Net cash outflow from operating activities		58,536	53,468
b Analysis of capital expenditure and financial investment			
Purchases of fixed assets	7d	798	45
Proceeds from disposal of fixed assets		0	0
Net cash outflow from investing activities		798	45
c Analysis of financing and reconciliation to the net cash requirement			
From Consolidated Fund	13	34,609	33,566
From National Insurance Fund	13	24,712	19,946
Financing Inflow		59,321	53,512
(Increase)/Decrease in cash	10	13	1
Net cash requirement		59,334	53,513

16 Capital commitments

	2005/06	2004/05
	£'000	£'000
Contracted capital commitments at 31 March for which no provision has been made.	555	1,035
	<u>555</u>	<u>1,035</u>

17 Commitments under non-Private Finance Initiative leases

Operating Leases

At 31 March the Appeals Service was committed to making the following payments during the next year, analysed according to the period in which the lease expires:

	Notes	2005/06	2004/05
		£'000	£'000
Expiry within 1 year		91	15
Expiry after 1 year but not more than 5 years		144	56
		<u>235</u>	<u>71</u>

18 Commitments under PFI contracts

There are no contracted PFI contracts outstanding.

19 Related Party Transactions

The Appeals Service is an Executive Agency of the Department for Work and Pensions (the Department).

The Department and its Agencies are regarded as related parties to the Appeals

Service. During the year, the Agency has had a significant number of material transactions with the Department and its Agencies.

20 Financial Instruments

FRS 13, *Derivatives and Other Financial Instruments*, requires disclosure of the role which financial instruments have had during the period in creating or changing the risks an entity faces in undertaking its activities. Because of the largely non-trading nature of its activities and the way in which Government Agencies are financed, the Agency is not exposed to the degree of financial risk faced by

business entities. Moreover, financial instruments play a much more limited role in creating or changing risk than would be typical of the listed companies to which FRS 13 mainly applies. The Agency has very limited powers to borrow or invest surplus funds and financial assets and liabilities are generated by day-to-day operational activities and are not held to change the risks facing the Agency in undertaking its activities.

Liquidity Risk

The Agency's net revenue resource requirements are financed by resources voted annually by Parliament, just as its capital expenditure is and by recoveries from the National Insurance Fund. The Agency is not, therefore, exposed to significant liquidity risks.

Interest Rate Risk

All of the Agency's financial assets and liabilities carry nil or fixed rates of interest and it is not, therefore, exposed to significant interest rate risk.

21 Performance against targets

The Agency was set the high level performance target of managing the Agency's resources to deliver its Business Plan within the funds voted by Parliament and funds voted by Parliament. The Agency has delivered its Business Plan for the year end 31 March 2006 within gross allocations.

Appendices

Appendix 1

Performance against Secretary of State Targets for 2003-2004, 2004-2005 and 2005-2006

2003-2004	2004-2005	2005-2006
<p>The average waiting time for an appeal to be heard will be no more than 13 weeks* from the time of receipt by the Appeals Service.</p> <p>Met. An average of 11.2 weeks over the year.</p>	<p>The average waiting time for an appeal to be heard will be no more than 11 weeks* from the time of receipt by the Appeals Service.</p> <p>Met. An average of 10.4 weeks over the year.</p>	<p>The average waiting time for an appeal to be heard will be no more than 11 weeks* from the time of receipt by the Appeals Service.</p> <p>Met. An average of 10.4 weeks over the year.</p>
<p>The number of cases over 24 weeks at 1 April 2003 will be reduced by at least 15% by 31 March 2004.*</p> <p>Met. We reduced the number of older cases by 29%.</p>	<p>The number of cases over 20 weeks old as at 1 April 2004 will be reduced by at least 15% by 31 March 2005.*</p> <p>Not met. We reduced the number of older cases by 9.2%</p>	<p>The number of cases over 20 weeks old as at 31 March 2006 will have reduced to 4,458.*</p> <p>Met. The number of older cases reduced to 3,421.</p>
<p>For cases returned by the Commissioner, the average waiting time for an appeal to be re-heard will be no more than 10 weeks from the date of return to the Appeals Service.**</p> <p>Met. Cases returned from the Commissioners were heard in an average of 8.4 weeks.</p>	<p>For cases returned by the Commissioner, the average waiting time for an appeal to be re-heard will be no more than 8 weeks from the date of return to the Appeals Service.**</p> <p>Met. Cases returned from the Commissioners were heard in an average of 7.9 weeks.</p>	<p>For cases returned by the Commissioner, the average waiting time for an appeal to be re-heard will be no more than 8 weeks from the date of return to the Appeals Service.**</p> <p>Met. Cases returned from the Commissioners were heard in an average of 7.2 weeks.</p>

Continued over page

* Both of our waiting time targets – i.e. average waiting period and proportion of cases over 24/20 weeks – are defined as excluding any stayed cases (those cases that are awaiting a decision in a higher court and over which we have no control).

** Excludes cases requiring further evidence

Performance against Secretary of State Targets for 2003-2004, 2004-2005 and 2005-2006

2003-2004	2004-2005	2005-2006
<p>Continued</p> <p>The range of waiting time variations between our local offices will be reduced by a factor of at least 5%(3.67 weeks).</p> <p>Met. Year-end figure of 3.9 weeks against a target of 6.7 weeks.</p>	<p>Not a Secretary of State Target in 2004-2005.</p>	<p>Not a Secretary of State Target in 2005-2006.</p>

Appendix 2

Performance against 2005-2006 Customer Service Standards¹

Customer Service Standard	Performance 2005-2006
<p>1 We will aim to notify you of a hearing date within 6 weeks of receipt of your enquiry form.</p>	<p>A system produced report indicated that we notified the hearing date within 6 weeks of receipt of the enquiry form in 85% of cases that proceeded to a hearing and where the appellant attended.</p>
<p>2 If you tell us that you need an interpreter for your hearing, we will arrange for a professional organisation to provide one for you, and we will meet the costs.</p>	<p>We arrange an interpreter where requested to do so. A system produced report indicated that an interpreter was required for 10,626 hearings (5% of all cases at a cost of £670,000).</p>
<p>3 When you contact us about your appeal we will provide you with accurate information about the appeals process and the stage your appeal has reached.</p>	<p>A sample survey of appellants showed that 33% of appellants contacted us about their appeal. 92% of these were happy with the information they received.</p>
<p>4 Each tribunal venue will be easily recognisable, accessible, and provide facilities for people with disabilities.</p>	<p>We conducted an annual estates audit covering issues such as accessibility, facilities and signage and had a comprehensive estates database. Our audit showed that we had 130 venues which were clearly identifiable, with Appeals Service signage wherever possible. People with disabilities could access all of our venues with the exception of one daily hire location and a range of seating, with and without arms, was provided, including orthopedic chairs.</p>

¹ Revised Customer Service Standards were introduced in June 2005 and replaced the earlier Service First Standards. We no longer specify targets in the standards but we do measure performance against targets and details of the applicable targets have been included here.

Performance against 2005-2006 Customer Service Standards (cont)

Service First Standard	Performance 2005-2006
<p>5 We aim to acknowledge your arrival at the tribunal venue, and to have the clerk meet you not less than five minutes before the hearing time to explain the procedure.</p>	<p>A sample survey of appellants showed that all appellants were acknowledged while 99% were met more than five minutes before the hearing time and given an explanation.</p>
<p>6 We will give fair and equal treatment irrespective of gender, race, disability, sexual orientation or religious belief.</p>	<p>Of 583 administrative complaints received in 2005-2006, three related to disability and two to ethnicity. We did not receive any complaints concerning sexual orientation or religious beliefs.</p> <p>We provide training in Equal Treatment to both administrative staff and panel members.</p>
<p>7 We will refund reasonable costs for you attending your hearing.</p>	<p>We provided appellants with details of expenses payable and how to claim them when notifying them of the hearing date. We could refund public transport costs, authorising and refunding taxi fares where journeys could not be made by public transport. For those using private vehicles, we paid a mileage rate. We also paid loss of earnings, carer expenses and subsistence allowances.</p>
<p>8 We aim to provide clear, straightforward information about our service, including where to go and what to do if help is needed.</p>	<p>All appellants invited to attend a hearing were sent a detailed map and instructions on how to get to the venue.</p> <p>Three information leaflets were available on our website in PDF format, in hard copy at all venues or obtainable from our Customer Leaflet Hotline. The leaflets were available in an Easy-read large print version, Braille, English and in eight other languages – Welsh, Arabic, Bengali, Chinese, Gujarati, Punjabi, Somali and Urdu.</p>

Performance against 2005-2006 Customer Service Standards (cont)

Service First Standard	Performance 2005-2006
<p>9 We will aim to reply to general enquiries received by post, email and fax as soon as we can and usually within 10 working days.</p>	<p>89% received a response within 10 working days (determined via a sampling exercise).</p>
<p>10 We will answer the telephone between the hours of 8.30am and 5.00pm Monday to Friday.</p>	<p>Our office took telephone calls between 8.30am and 5.00pm and a sample exercise showed that we answered 97% of telephone calls within 30 seconds.</p>
<p>11 We will aim to respond to complaints within 15 working days. If we cannot, we will advise when we can, together with the name and contact details of the person dealing with your complaint.</p>	<p>We replied to 89% of administrative complaints within our reply standard of 15 working days.</p> <p>Complaints Review 2005-2006 was the first full year of operation for our new complaint procedures. The staged process for dealing with complaints highlighted the importance of personal contact by telephone with complainants. It allowed further analysis of the reasons for complaint. Quarterly meetings were arranged with Customer Service Managers (CSMs) to update any new procedures, share best practices and support new CSMs.</p> <p>Complaints for 2005-2006 226,320 appeals were received in 2005-2006 and we received a total of 736 complaints (583 (79%) administrative and 153 (21%) judicial).</p>

Learning and Development Programme

We delivered a comprehensive range of learning and development events for administrative staff and managers.

During this year, we delivered 1,444.5 days of new entrant training reflecting the high level of recruitment activity across the Agency in the second and third quarters of the year. We also managed the full introduction of Line Managers Assurance (LMA) to assess the capability and readiness of newly trained staff.

A programme of development was introduced for operational managers to address specific needs identified by the business, including *Managing the Business* and *Managing Workloads*, and comprehensive training was developed and delivered to support the new controls and checking framework. In the latter part of the year activity increasingly focused on training for the transfer

to the DCA system infrastructure and the introduction of the new GAPS2 computer system.

We also successfully introduced *training contracts* between the Learning and Development Team and the business sponsors of individual learning events. These enabled a more meaningful evaluation of the business outcomes from these events.

In total, administrative staff received 6,007.5 days of training at a cost of £659,915. Of this, 592 training days were delivered to support managers in their roles, for example, completing the programme of Leadership Challenge events and developing a new diversity and equality event. Coaching for Senior Managers was extended to those in Central Support functions and latterly on-line assessment and coaching opportunities were offered to Middle Managers and other administrative staff.

Year	Days delivery	Numbers trained	Days per head	Training spend	Spend per head
2003-2004	4,568.5	4,270	5.1	£792,237	£875
2004-2005	4,237.5	2,927	5.7	£632,900	£851
2005-2006	6,007.5	3,396	7.2	£659,915	£790

Learning and Development Programme

Administrative Training 2005-2006	Numbers Trained	Days Committed
Core Business Training		
New Entrant etc	382	1,444.5
Clerk as Managers/Decision Notices/Potentially Violent and Potentially Aggressive Situations	323	316
Child Support	72	15
Equal Treatment	25	18
Health and Safety	79	83
Business Card/Government Procurement Card	30	30
Telephone Skills	26	26
DCA Infrastructure	470	239.5
Managing Your Workload	167	86.5
Control and Checks	28	14
Post Tribunal	26	11
Data Protection and Security	23	12
DCA Induction	632	316
Other	633	675
Total	2,916	3,286.5
Business Improvement (internal delivery)		
Presentation Skills	2	6
Team builds and development events	115	115
Training Design Skills	5	5
Letter Writing/Drafting	2	2
Total	124	128
External Training		
IT (Word, Excel, PowerPoint etc)	94	139
Business Improvement (External delivery)	74	229.5
Total	168	368.5
Management/Leadership Training	188	592
Total of Formal Training	3,396	4,375
Non Formal Training	*	1,632.5
Totals	3,396	6,007.5

* We did not keep details of the number of staff receiving non formal training

Appendix 3b

Judicial Training

Judicial Training was the statutory responsibility of the President (who had a duty also to consult with the Secretary of State and the Chief Medical Officers of England, Wales and Scotland).

In discharging this responsibility the President was advised by the Judicial Training Advisory Group. This was chaired by the National Judicial Training Officer and comprised seven Regional Judicial Training Officers, the Full Time Chairman, the Chief Medical Member, National Judicial Information & Resource Officer, Judicial Training Manager, co-opted legal, medical and disability panel members and a co-opted academic member.

An administrator, the Judicial Training Manager, supported the Judicial Training Advisory Group with the aid of a judicial training support team. The Judicial

Training Manager and his team also managed the budget/financial targets and the administrative support for training, assisted in the identification of training needs and maintained training plans/records.

The President's statutory duty to consult the Secretary of State and Chief Medical Officers was met through the President's Judicial Training Consultative Committee. This was chaired by the President and comprised the National Judicial Training Officer, the Appeals Service Human Resources Director (as budget holder) and representatives of the Chief Medical Officers and the Secretary of State.

During the year, 32 training conferences/events were held and 3,122 panel members received training, over 2,826.5 'delegate days'. The total cost of judicial training for 2005-2006 was £943,440.

2004-2005	2005-2006
54 External Training Conferences/Events	32 External Training Conferences/Events
3,028 panel members trained	3,122 panel members trained
2,748 days delegated to training	2,826.5 days delegated to training
Cost of £937,157	Cost of £943,440

Judicial Training

Training Event	No. of events	Target Audience	Number Trained
Panel Member Refresher	14	All Panel Members	756
Medical	7	Medically Qualified Panel Members	412
Induction Training for New Panel Members (Part 1)	1	Newly recruited Panel Members	53
Induction Training for New Panel Members (Part 2)	1	Newly recruited Panel Members	54
2003-2004 Conversion Training for Lawyers	1	Legally Qualified Panel Members	29
Tax Credit Refresher	1	Regional and District Chairmen	26
Residential for Lawyers	2	Legally Qualified Panel Members	135
Child Support Refresher	2	Legally Financially Qualified Panel Members	156
Senior Medically Qualified Panel Member Facilitator Workshop	1	Medically Qualified Panel Members	20
Regional Medical Appraisers training	1	Medically Qualified Panel Members	10
IT Training	Various	Regional/District Chairmen	12
Lawyers/Medical/Disability Members Evening Meetings/Miscellaneous Regional Training	Various	Legally, Medically and Disability Qualified Panel Members	1,368
Annual Regional Chairmen/District Chairmen Conference	1	Regional/District Chairmen & guests	91
		Total	3,122

Appendix 4

Analysis of Administrative Staff and Panel Members

Total number of administrative staff in post as at 31 March 2006

Grade	Male	Female	Total
Senior Civil Servant	1	1	2
Grade 6	1	0	1
Grade 7	2	0	2
Senior Executive Officer	9	11	20
Higher Executive Officer	22	20	42
Executive Officer	48	91	139
Administrative Officer	154	335	489
Administrative Assistant	68	64	132
Total	305	522	827

Notes:

1 These figures exclude nine interim appointments at a cost of £728,730.

2 The figure of 827 is the staff in post equivalent of the 759 FTE figure declared for our headcount. This reflects our use of part-time staff within the Agency.

Staff turnover

- Volume of wastage 8.08% (69 leavers)
- Transfer to other DWP – 7
- Total wastage = 8.9% (76 leavers)

Analysis of Administrative Staff and Panel Members

Total number of Salaried and Fee-Paid Tribunal members by type and region as at 31 March 2006 (Information taken from the Panel Members database)

	Salaried legally qualified panel member	Salaried medical member	Legally qualified panel member	Medically qualified panel member – non specialist	Medically qualified panel member – specialist	Disability qualified panel member	Financially qualified panel member	Total
Central	8	0	52	40	9	54	2	165
Eastern	10	1	89	61	27	77	3	268
North East	11	0	111	61	40	70	3	296
North West	11	0	109	88	36	77	1	322
Scotland	11	0	106	88	35	75	3	318
South East	9	0	58	45	24	62	2	200
Wales and South West	10	0	89	63	28	80	4	274
Total	70	1	614	446	199	495	18	1,843

Appendix 5

Senior Officers of the Appeals Service and Office Locations

Seven Regional Chairmen support the President of appeal tribunals, **His Honour Judge Michael Harris**:

John Tinnion	Regional Chairman	North East
Nick Warren	Regional Chairman	North West
Jim Wood (Part-time)	Regional Chairman	Wales & South West
Jeremy Bennett	Regional Chairman	South East
Robert Martin	Regional Chairman	Eastern
Ken Kirkwood	Regional Chairman	Scotland
Jessica Burns	Regional Chairman	Central

A team of seven Executive Directors and one non-Executive Director supports the Chief Executive, **Christina Townsend**:

Norman Egan	Director of Operations and Deputy Chief Executive
Paul Duffy (interim)	Modernisation Director (until 15 April 2005)
Edward James (interim)	Director of Finance and Planning
Phil Teece	Business Development Director (from 1 June 2005)
Carol Brooke	Information Systems Director
Steve Hayes (interim)	Human Resources Director
Ian McWilliam	Operational Policy, Communications and Judicial Support Director (member of the Senior Management Team until 31 May 2005)
Nicholas Peacey	Acting Change Director (member of the Senior Management Team until 31 May 2005)
Sir Leonard Peach	non-Executive Director

Appeals Service Headquarters (London)

Appeals Service
Fox Court
14 Gray's Inn Road
London
WC1X 8HN
Tel. 0207 712 2600

President: His Honour Judge Michael Harris
Chief Executive: Christina Townsend
Operational Policy: Ian McWilliam

A register of Director's Business Interests is held by the Board Secretariat at this address.

Appeals Service Administration Centres

Bristol

Appeals Service
Government Buildings
Flowers Hill
Bristol
BS4 5LA
Tel. 0117 972 5210

Finance Director: Ed James
HR Director: Steve Hayes

Burnley (to 28 July 2005)

Appeals Service
Burnley Pension Centre
Simonstone
Blackburn Road
Burnley
BB12 7TG
Tel. 01282 688836

Business Development Director: Phil Teece
IS Director: Carol Brooke

Manchester (from 29 July 2005)

Appeals Service
Boulton House
17-21 Chorlton Street
Manchester
M1 3HY
Tel: 0151 243 1400

Business Development Director: Phil Teece
IS Director: Carol Brooke

Appeals Service Operational Centres

Appeals Service Operational Centres

Appeals Service Glasgow

Wellington House
134-136 Wellington Street
Glasgow
G2 2XL
Tel. 0141 354 8400

Regional Chairman (Scotland) : Ken Kirkwood
Director of Operations : Norman Egan
Regional Manager: Martin McKenna (until
12 June 2005)
Regional Manager: Terry Stewart (from 18 July 2005)

Appeals Service Leeds

York House
York Place
Leeds
LS1 2ED
Tel. 0113 251 9500

Regional Chairman (North East): John Tinnion
Regional Manager: Joseph Traynor

Appeals Service Newcastle

Manorview House
Kings Manor
Newcastle upon Tyne
NE1 6PA
Tel. 0191 201 2300

Regional Chairman (North East): John Tinnion
(based in Leeds)
Regional Manager: Joseph Traynor (based in Leeds)

Appeals Service Liverpool

Prudential Building
36 Dale Street
Liverpool
L2 2UZ
Tel. 0151 243 1400

Regional Chairman (North West): Nick Warren
Senior Operations Manager : Ken Riley
Acting Change Director : Nicholas Peacey
Regional Manager: Shirley Brown

Appeals Service Sutton

Copthall House
9 The Pavement
Grove Road
Sutton
SM1 1DA
Tel. 0208 710 2900

Regional Chairman (South East): Jeremy Bennett
Regional Manager: Sheila Lankertis (until 19
September 2005)
Regional Manager: Jane Tatum (from 11 October
2005)

Appeals Service Birmingham

Auchinleck House
Broad Street
Birmingham
B15 1DL
Tel. 0121 643 6464

Regional Chairman (Central): Jessica Burns
Acting Regional Manager: John Carlin

Appeals Service Nottingham

The Pearson Building
57 Upper Parliament Street
Nottingham
NG1 6AZ
Tel. 0115 909 3600

Regional Chairman (Eastern): Robert Martin
Regional Manager: Diane Maddox

Appeals Service Cardiff

Oxford House
Hills Street
The Hayes
Cardiff
CF1 2DR
Tel. 0292 037 8071

Regional Chairman (Wales & South West): Jim Wood
Regional Manager: Teresa Shackell

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